Supreme Court, U.S.
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No. ——

IN THE

Supreme Court of the United States

GILLMAN KNITWARE COMPANY, INC.,
Petitioner,

v.

SEGRETS, INC.,
Defendant.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the First Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the First Circuit Court of Appeals Erred in Denying the Defendant in a Copyright Infringement Action its Seventh Amendment Right to a Jury Trial as to the Issue of Substantial Similarity Where the District Court, in Denying Plaintiff's Motion for Summary Judgment, Found That "Reasonable Minds Might Differ on the Issue of Substantial Similarity. . . ."

CORPORATE DISCLOSURE STATEMENT

Pursuant to S. Ct. R. 29.6, Gillman Knitwear Company, Inc. makes the following disclosure:

Gillman is not a subsidiary or affiliate of a publicly-owned corporation and no publicly-owned corporation, not a party to the appeal, has a financial interest in the outcome.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
CORPORATE DISCLOSURE STATEMENT	ii
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
JURISDICTIONAL STATEMENT	2
CONSTITUTIONAL PROVISION INVOLVED	2
STATEMENT OF THE CASE	2
A. INTRODUCTION	2
B. UNDERLYING PROCEEDINGS	3
C. SUMMARY OF FACTS	5
1. Segrets' Blanket Stitch and Primitive Patterns Fabric Designs	5
2 Gillman and Its Christie Fabric Designs	5
3. The District Court Decisions.	7
4. The First Circuit Decision	8
REASONS FOR GRANTING THE WRIT	10
WHERE "REASONABLE MINDS MIGHT DIFFER" ON THE ISSUE OF SUBSTANTIAL SIMILARITY, A PARTY IN A COPYRIGHT INFRINGEMENT ACTION WHERE STATUTORY DAMAGES ARE SOUGHT IS ENTITLED TO A JURY TRIAL ON THAT ISSUE	10
CONCLUSION	18

TABLE OF CONTENTS—Continued

APPENDIX

	Page
A. *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, No. 99-1552 (1st Cir. March 27, 2000)	1a
B. *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, 207 F.3d 56 (1st Cir. 2000)	2a
C. *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, C.A. No. 94-12015-MBB (D. Mass. April 2, 1999)	20a
D. *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, 42 F. Supp. 2d 58 (D. Mass. 1998)	21a
E. *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, C.A. No. 94-12015-MLW (D. Mass. October 17, 1997)	73a
F. Color photographs of Segrets and Gillman fabrics	86a

TABLE OF AUTHORITIES

CASES: Page

Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986) 16
Ann Howard Designs, LP v. Southern Frills, Inc., 992 F. Supp. 688 (S.D.N.Y. 1998) 12
Boeing v. Shipman, 411 F.2d 365 (5th Cir. 1969) 16
Brady v. Southern Ry. Co., 320 U.S. 476 (1943) 16
Dimick v. Schmidt, 293 U.S. 474 (1935) 14, 17
Durham Indust. v. Tomy Corp., 630 F.2d 905 (2d Cir. 1980) 11
Eden Toys, Inc. v. Marshall Field & Co., 675 F.2d 498 (2d Cir. 1982) 12
Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340 (1998) 2, 9-10
Folio Impressions, Inc. v. Byer Calif., 937 F.2d 759 (2d Cir. 1991) 12
Gautreaux v. Scurlock Marine, Inc., 107 F.3d 331 (5th Cir. 1997) 16
Harolds Stores, Inc. v. Dillard Dept. Stores, 82 F.3d 1533 (10th Cir. 1996) 6
In Design v. Lynch Knitting Mills, Inc., 689 F. Supp. 176 (S.D.N.Y. 1988) 11
Knitwaves, Inc. v. Lollytogs, 71 F.3d 996 (2d Cir. 1996) 12
Matthews v. Freedman, 157 F.3d 25 (1st Cir. 1998) 11
Novelty Textile Mills v. Joan Fabrics Corp., 558 F.2d 1090 (2d Cir. 1977) 12
Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487 (2d Cir. 1960) 11

TABLE OF AUTHORITIES—Continued

	Page
Schacht v. United States, 398 U.S. 58 (1970)	15, 16
Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc., 490 F.2d 1092 (2d Cir. 1974)	12
Streetwise Maps v. VanDam, Inc., 159 F.3d 739 (2d Cir. 1998)	11
Universal Athletic Sales Co. v. Salkeld, 511 F.2d 904 (3d Cir. 1975)	13
CONSTITUTION:	
Seventh Amendment	2
STATUTES:	
28 U.S.C. § 1257	2
28 U.S.C. § 1332	2
28 U.S.C. § 1338	2
REGULATIONS:	
37 C.F.R. Chapter II	13
37 C.F.R. § 202.20(x)	13
37 C.F.R. § 202.21	13

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PETITION FOR WRIT OF CERTIORARI

Gillman Knitwear Company, Inc., seeks a Writ of Certiorari to review and either reverse or modify the judgment of the United States Court of Appeals for the First Circuit.

OPINIONS BELOW

The opinion of the United States District Court District of Massachusetts granting in part and denying in part the parties' Motions for Summary Judgment has not been officially reported. It was filed in the district court in case number C.A. No. 94-12015-MLW, and is set out in the appendix at App. 73a.

The post-trial opinion of the United States District Court District of Massachusetts is reported at 42 F. Supp. 2d 58 (D. Mass. 1998) and is set out in the appendix at App. 21a.

The opinion of the United States Court of Appeals for the First Circuit is reported at 207 F.3d 56 (1st Cir. 2000) and is set out in the appendix at App. 2a.

JURISDICTIONAL STATEMENT

The judgment of the United States Court of Appeals for the First Circuit was entered on March 27, 2000. Jurisdiction in this Court exists under 28 U.S.C. § 1257.

The district court was vested with jurisdiction over the complaint in this case pursuant to 28 U.S.C. § 1338 and 28 U.S.C. § 1332.

CONSTITUTIONAL PROVISION INVOLVED

The Seventh Amendment to the United States Constitution provides, in pertinent part:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

A. INTRODUCTION

This case involves the failure of the United States Court of Appeals for the First Circuit to properly apply this Court's opinion in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998). The First Circuit denied Petitioner Gillman Knitwear Company, Inc. ("Gillman") its right to a trial by jury with respect to whether its Christie I and II sweaters were substan-

tially similar to, and therefore infringed upon, Respondent Segrets, Inc. ("Segrets") copyrighted fabric design, despite manifest differences in color and/or design which distinguished the fabrics. The Court of Appeals' ruling allows Segrets improperly to expand its copyright claim beyond the single colorway asserted in its copyright application.

While the First Circuit acknowledged that Gillman had a right to a jury trial on certain issues, the Court erroneously concluded – despite the use by Gillman of radical color variations on its fabrics – that Gillman was not entitled to a jury's determination of whether its Christie I and II fabrics were "substantially similar" to Segrets' copyrighted design. In essence, the First Circuit concluded that no reasonable juror could rely on Gillman's dramatic color variations or other design changes in rejecting a claim of "substantial similarity" as a basis for copyright infringement. By denying Gillman a jury trial on the issue of "substantial similarity," the First Circuit denied Gillman a fundamental constitutional right and unjustifiably broadened Segrets' copyright, which had been registered in only one colorway. If allowed to stand, the First Circuit's decision will discourage competition and innovation in fabric or other design by unreasonably extending the claims of copyright registrants beyond the colorways that were incorporated in their copyright registration.

B. THE UNDERLYING PROCEEDINGS

Segrets filed its Complaint against Gillman on October 6, 1994, alleging copyright infringement by Gillman's "Christie I" and "Christie II" sweater vest styles of Segrets' copyrighted "Blanket Stitch" design. On January 30, 1995, Segrets filed an Amended Complaint, making similar allegations about Gillman's Charro cardigan sweater style. Prior to trial, Segrets elected to seek statutory damages in lieu of actual damages.

By order dated September 27, 1996, the trial court granted in part and denied in part Segrets' motion for summary judgment, as detailed in a Memorandum and Order dated October 17, 1997. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, C.A. No. 94-12015-MLW, App. at 73a (D. Mass. 1997). In its decision, the trial court granted summary judgment as to infringement by the Christie I design, but found a genuine issue of material fact existed as to Segrets' claims that Gillman's Christie II and Charro sweaters were "substantially similar" to Segrets' designs. *Id.*, App. at 83a-84a. The trial court denied Gillman's request for a jury trial on the remaining issues on the grounds that Segrets sought only statutory damages.

Following a bench trial, Magistrate Judge Bowler ruled that Gillman's Christie II sweater fabric infringed Segrets' Blanket Stitch copyright; that Gillman's Charro "stone" color style fabric infringed Segrets' Primitive Patterns copyright; but that the remaining two color combinations of Gillman's Charro fabric did not infringe Segrets' copyright. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 42 F. Supp. 2d 58, 78-9, App. at 54a-55a (D. Mass. 1998). The District Court awarded statutory damages of $37,000 for infringement of Segrets' Blanket Stitch Design sweater, $30,000 for infringement of Segrets' Primitive Patterns Design sweater, and attorneys' fees in the amount of $145,536.28. *Id.* at 87, App. at 20a.

On appeal, the First Circuit vacated the judgment and remanded for a jury trial on the substantial similarity of the Gillman stone-colored Charro sweater, the willfulness of Gillman's infringement, and the amount of statutory damages. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 207 F.3d 56, 66, App. at 19a (1st Cir. 2000). However, the Court of Appeals affirmed with respect to the finding of infringement as to Gillman's Christie I and II sweaters, leading to this Petition. *Id.*, App. at 19a.

C. SUMMARY OF FACTS

1. Segrets' Blanket Stitch and Primitive Patterns Fabric Designs.

Segrets designs, manufactures, and markets coordinated women's sportswear to department stores and specialty retailers. Among the fabric designs Segrets has produced are the "Blanket Stitch" and the "Primitive Patterns" designs.[1] Segrets' principal designer, Sigrid Olsen, personally "colored" the fabrics, and Segrets submitted fabric copyright applications for Segrets' fabric designs with a color Polaroid photograph of the subject fabric. Segrets' Blanket Stitch vest was produced in only one powder blue color combination, as shown on the photo that accompanied the copyright application.

2. Gillman and Its Christie Fabric Designs.

Gillman is a family-owned business headquartered in Cincinnati, Ohio. Gillman designs and markets men's and women's knit shirts and sweaters at lower prices than Segrets.

Testimony demonstrated that fashion designers including those employed by Segrets frequently shop for and purchase competitors' designs in researching fashion trends. In 1993, Gillman designer Julie Smith purchased Segrets' Blanket Stitch sweater vest at a retail store. Many of the elements used in Segrets' Blanket Stitch vest had been used in other garments including "the use of jacquarding pattern" and "the whip stitching around the edges." Smith acknowledged that she began with the design of the Segrets' Blanket Stitch sweater vest in creating Gillman's Christie I sweater vest for the fall 1994 season. However, Smith chose three distinct color combinations – Ha-

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[1] Included in the Appendix at 86a - 90a are color photos of the Segrets and Gillman fabrics remaining at issue in this case. Because a jury trial has been allowed as to the substantial similarity of Gillman's stone Charro sweater, Segrets' Primitive Patterns copyright is not at issue in this Petition.

zelnut, Black, and Tuscan – rather than the powder blue based design used by Segrets. Smith described the Christie colors as "more basic colors" than those used in Segrets' vest.

Only 36 sales samples of the Christie I vest were ordered by Gillman. Before a production run, Segrets notified Gillman by letter dated April 18, 1994, of its contention that the Christie I vest infringed its copyright. In response to Segrets' infringement claim, Gillman made additional changes to the embroidery and the configuration of buttons on the Christie I design to create Gillman's Christie II vest, in an effort to further distinguish it from Segrets' Blanket Stitch design. In conjunction with the already existing color variations, Gillman believed an ordinary consumer could readily distinguish its Christie II vest from Segrets' Blanket Stitch vest. Gillman sold only 7488 Christie II sweaters for a total sales of $116,127, at a loss (after including overhead) of $8,862.

Gillman's expert, Margaret Voelker-Ferrier, a faculty member at the University of Cincinnati College of Design, Art, Architecture & Planning ("U.C."), specializing in fashion design, noted that the use of other designer's work to "inspire" new designs was common in the industry.[2] Designers for major retailers now use sophisticated computer software that allows a designer to scan another maker's fabric design and make on-screen changes to create a new, if derivative, design.

Ms. Voelker-Ferrier also testified that color is a primary point of interest in women's fashion, and noted that rearranging colors

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[2] Her testimony was consistent with the Tenth Circuit's observation in *Harolds Stores, Inc. v. Dillard Dept. Stores*, 82 F.3d 1533, 1539, n.2 (10th Cir. 1996) that

> [d]esigners in the fashion industry commonly use other manufacturers' garments for inspiration in the product development process. Industry practice, however, requires that derivative designs vary from the patterns used for inspiration.

in the same fabric design can substantially change the consumer's impression of that fabric. Segrets' designer Sigrid Olsen agreed "that consumers will react differently to a garment based upon the proximity of colors one to another." According to Gillman designer Julie Smith, "color was probably the number one thing that I worked on . . . . In the end I think it's the color that sells the product."

3. The District Court Decisions.

The first District Court decision, dated October 17, 1997, was issued following cross-motions for summary judgment. Judge Wolf found that the Christie I sweater, which was never sold by Gillman, infringed Segrets' Blanket Stitch copyright. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, C.A. No. 94-12015-MLW, App. at 82a, (D. Mass. 1997). "Only the colors are different, and in this case mere color variation does not qualify the conclusion that substantial similarity exists, given the identity of the complex patterns in the two designs." *Id.*, App. at 82a. However, Judge Wolf found that questions of fact arising from changes made by Gillman following Segrets' first notice of infringement prevented summary judgment as to the substantial similarity of the Christie II and Charro sweaters:

> With regard to the Christie II and Charro designs, however, summary judgment is not appropriate. *There are numerous, although perhaps minor, variations of detail and color between the Blanket Stitch and the Christie II.* There are also differences of color, of detail and of stitching between the Primitive Patterns and the Charro. The court must, at this point, look at the facts in the light most favorable to the defendant. Doing so, the court concludes that *reasonable minds might differ on the issue of substantial similarity with regard to the Christie II and the Charro designs.*

Id., App. at 82a (emphasis added).

After Gillman's jury trial demand was denied, the matter was referred to Magistrate Judge Bowler for a bench trial. Following a three-day trial, Magistrate Judge Bowler concluded that all three colorways of the Christie II fabric were substantially similar to the Segrets' Blanket Stitch fabric, but that only one of the three colorways (stone) of the Gillman Charro fabric was "substantially similar" to the Segrets' Primitive Patterns fabric. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 42 F. Supp. 2d 58, 78-79, App. at 54a-55a (D. Mass 1998). In her role as finder of fact in place of a jury, the Magistrate Judge acknowledged that color differences could be considered in determining substantial similarity, but found with respect to the Christie II sweater, that

> [t]he differences in the color combinations do not, in this instance, avoid a finding of substantial similarity. The slight changes in the embroidery, the use of arrows as opposed to rectangles in one row and the placement and number of certain buttons do not obviate the fact that the overall similarities of the protectable expressions in the copyrighted Blanket Stitch design and the Christie II sweater are substantially similar.

Id., App. at 54a.

In contrast, the trial court found with respect to the Gillman Charro design that "the variations in the stitching, the marling of the yarn and the arrangement of the particular rows in the Primitive Patterns design and the Charro sweater are more pronounced." *Id.* at 79, App. at 54a. That led the trial court to conclude that "the ordinary observer would regard the aesthetic appeal of the Charro sweater in the turquoise and chambray color combinations as distinct and not the same as the Primitive Patterns design." *Id.*, App. at 55a.

4. The First Circuit Decision.

Gillman's primary argument on appeal was that it had been denied its Seventh Amendment right to a jury trial on all liabil-

ity and damage issues. In *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), this Court held that "[t]he Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(C) of the Copyright Act, including the amount itself." The First Circuit properly concluded that *Feltner* required reversal and remand for a jury trial, as to the substantial similarity of Gillman's "stone" Charro sweater, willfulness, and statutory damages. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 207 F. 3d 56, 66, App. at 19a (1st Cir. 2000). However, the Court of Appeals denied a jury trial as to one crucial liability issue: The "substantial similarity" of Gillman's Christie I and II fabrics to Segrets' copyrighted Blanket Stitch fabric. *Id.*, App. at 19a.

In considering the Christie II sweater, regarding which Judge Wolf had said "reasonable minds might differ on the issue of substantial similarity," the Court of Appeals, in essence, reversed that denial of summary judgment to Segrets. The First Circuit found that Gillman was not entitled to a jury trial on that question, finding that "[t]he denial of a jury trial is harmless error if the evidence meets the standard for a directed verdict." *Id.* at 64, App. at 15a. Pointing to Judge Bowler's statement that "[t]he ordinary observer viewing the Christie II 'would *inevitably* conclude that Gillman unlawfully appropriated the [Blanket Stitch] design' (emphasis added)," the Court noted:

> Taking this as the equivalent of a directed verdict, and after comparing the photographs of the two works ourselves and reviewing the record, we agree. The Christie I is virtually identical to the Blanket Stitch design in every respect except color. The Christie II differs from the Christie I and the Blanket Stitch design in a few details which are evident only on very close examination.
>
> . . . .
>
> These limited changes do not overcome the conclusion of overall similarity the ordinary observer "inevitably" has

> on viewing the Christie II and the Blanket Stitch designs side-by-side.
>
> . . . .
>
> Thus, in total, judgment for Segrets was appropriate on a directed verdict standard.

Id. at 65-66, App. at 16a-18a. The Court of Appeals also affirmed Judge Wolf's grant of summary judgment as to the Christie I sweater, apparently concluding that obvious color differences alone did not create a question of fact for a jury to resolve. *Id.* at 66, App. at 19a. As a result, Gillman has been denied a jury trial by "ordinary observers" as to the "substantial similarity" of its Christie I and II sweaters, despite this Court's holding in *Feltner*.

REASONS FOR GRANTING THE WRIT

WHERE "REASONABLE MINDS MIGHT DIFFER" ON THE ISSUE OF SUBSTANTIAL SIMILARITY, A PARTY IN A COPYRIGHT INFRINGEMENT ACTION WHERE STATUTORY DAMAGES ARE SOUGHT IS ENTITLED TO A JURY TRIAL ON THAT ISSUE

On March 31, 1998, two months after the first trial in this matter, this Court, in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), resolved a conflict among the Circuits by holding that "the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(C) of the Copyright Act, including the amount itself." *Feltner*, 523 U.S. at 355.[3] The First Circuit properly recognized that *Feltner* must be applied retroactively in this case, reversing and remanding for a jury trial. However, Gillman continues to be denied a jury determination as to a

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[3] In a concurring opinion, Justice Scalia found that a right to a jury trial in such a case arose directly from 17 U.S.C. § 504(C).

critical fact issue in this case: Whether Gillman's Christie I and II sweaters were substantially similar to the Segrets' copyrighted fabric.[4] Gillman has contended throughout these proceedings that an ordinary observer could readily distinguish between its Christie I and II designs and the Segrets' Blanket Stitch fabric, with the primary distinctions being the designers' choice of colors. The First Circuit's decision denies Gillman the opportunity to make its case before a panel of jurors best qualified to act as ordinary observers. The test of substantial similarity under the copyright laws is inherently one for a jury to determine.

Whether two works are substantially similar has long been determined in federal courts based upon the perception of the "ordinary observer." *See Durham Indust. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980) and *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). In *In Design v. Lynch Knitting Mills, Inc.*, 689 F. Supp. 176, 179 (S.D.N.Y. 1988), the District Court for the Southern District of New York dismissed a claim for copyright infringement, describing the test applied to determine "substantial similarity":

> Examining the sweaters at a distance of five to ten feet, and looking at them not with a view to analyzing their design components but simply to comparing the aesthetic impressions that they give, I am unable to conclude that the ordinary observer would overlook the differences if they were not pointed out to her, or would recognize the design of the Lynch sweater as having been appropriated from the Hukafit one. The two sweaters, it is true, share their basic design elements [but] . . . the overall appearance of each sweater is quite different.

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[4] The long established test of copyright infringement requires a showing by the copyright holder of substantial similarity between the copyrighted work and the allegedly infringing work. *See, e.g., Streetwise Maps v. VanDam, Inc.*, 159 F.3d 739 (2d Cir. 1998); and *Matthews v. Freedman*, 157 F.3d 25 (1st Cir. 1998).

Nor may a Court overlook color differences in determining whether a question of fact is presented. Courts long have recognized that color differences are important in deciding whether two items are "substantially similar." *See, e.g., Knitwaves, Inc. v. Lollytogs*, 71 F.3d 996, 1004 (2d Cir. 1996) (noting "sweaters' bold and almost identical color scheme" in finding infringement); *Folio Impressions, Inc. v. Byer Calif.*, 937 F.2d 759 (2d Cir. 1991) (finding two fabrics not substantially similar where roses in one lighter and less defined than roses in other). In comparing two works for substantial similarity, an ordinary observer should examine the work's "total concept and feel." *See Knitwaves*, 71 F.3d at 1003; *Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498, 500 (2d Cir. 1982).[5] Color must be examined as an element in the overall impression created by a work because color is important to the "ordinary observer."

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[5] In *Knitwaves*, the Second Circuit Court of Appeals, in considering whether two sweaters were substantially similar, looked to the use of the same fall symbols in both sweaters, the way the symbols were displayed and the *color scheme*. *Knitwaves*, 71 F.3d at 1004. Noting most of the overall impression was conveyed by the *color scheme*, the court adopted the dissent's view in *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090 (2d Cir. 1977) that color must be considered in determining infringement. *Knitwaves*, 71 F.3d at 1004-5. Other courts have agreed that "[c]ertainly . . . color schemes [are] not to be . . . overlooked." *Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.*, 490 F.2d 1092, 1094 (2d Cir. 1974). *See also Eden Toys*, 675 F.2d at 501 (considering differences in colors on two stuffed snowmen as one reason for concluding "total concept and feel" of snowmen were substantially different); *Ann Howard Designs, LP v. Southern Frills, Inc.*, 992 F. Supp. 688, n.9 (S.D.N.Y. 1998) (rejecting copyright infringement claim on design of picture frames decorated with puzzle pieces – "upon closer examination, *the puzzle pieces are of different colors* . . ., and all objects are placed in different locations"); *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090, 1094, n.6 (2d Cir. 1977) (finding "some of the color variations create such different effect that the ordinary observer might not consider them similar").

In this case, we know that color was an intrinsic element of the copyright granted to Segrets because Segrets submitted only a color Polaroid photo of the fabric to the Copyright Office, not a black and white line drawing. As a result, the specific colorway by Segrets is part of the copyrighted design and limits Segrets' copyright claim. The U.S. Copyright Office has issued regulations regarding copyright registration procedures at 37 C.F.R. Chapter II. For "[w]orks reproduced in or on sheetlike material," such as wearing apparel, the registrant must deposit with the Copyright Office "identifying material complying with ¶ 202.21 of these regulations . . . ." 37 C.F.R. § 202.20(x). "In the case of pictorial or graphic works, *such [identifying] material should reproduce the actual colors employed in the work.*" 37 C.F.R. § 202.21 (emphasis added). The Copyright Office regulations emphasize that color is part of the design in a graphic work such as a sweater design. By submitting a color photo of its design, Segrets limited its claim to that colorway. Indeed, Segrets relied upon color *similarities* in its claim of infringement against Gillman's "stone" Charro fabric.

Considering the impressionistic analysis utilized in the "ordinary observer" test, it necessarily follows that color must be a key part of the analysis, and that jurors are best suited to playing the role of ordinary observers in determining whether color differences allow a fabric to pass or fail the "substantial similarity" test.

In the final analysis, the test for substantial similarity relies upon an overall impression from the perspective of an ordinary lay person determined on an *ad hoc* basis. *See Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907 (3d Cir. 1975). The task of forming that impression is especially well suited for a jury of ordinary consumers. Whether Gillman's color changes in its Christie designs, with or without other changes in embroidery or stitch selection, are enough to defeat Segrets' infringement claim should depend upon the judgment of ordinary con-

sumers – impaneled as a jury – as to the importance of those changes to the overall impression created by the work.

The First Circuit incorrectly concluded that this critical decision could be taken from the jury based upon its own comparison of photos, rather than the actual fabrics at issue. Stating that "[t]he denial of a jury is harmless error if the evidence meets the standard of a directed verdict," *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 207 F.3d 56, 64, App. at 15a (1st Cir. 2000), the court went on to conclude that "[t]he ordinary observer viewing the Christie II 'would *inevitably* conclude that Gillman unlawfully appropriated the [Blanket Stitch] design.' Taking this as the equivalent of a directed verdict, and after comparing the photographs of the two works ourselves and reviewing the record, we agree." *Id.* at 65, App. at 16a. That conclusion overlooks the fact that Judge Wolf denied summary judgment as to the Christie II sweater because "reasonable minds might differ on the issue of substantial similarity. . . ." *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, C.A. No. 94-12015-MLW, App. at 82a (D. Mass. 1997).

Instead of recognizing the question of fact for trial acknowledged by Judge Wolf, the Court of Appeals predicted that Judge Bowler, *if* presiding over a jury trial, would have directed a verdict rather than let the jury make the ultimate factual determination as to substantial similarity. The Court of Appeals substituted its evaluation of secondary evidence (photos) for that of a jury, which could have evaluated the actual fabric at issue. That aspect of the First Circuit's decision violated Gillman's Seventh Amendment right to a jury trial as guaranteed by *Feltner* on the ultimate fact question in this case: Whether its Christie fabrics – with their significant color and other variations – infringed Segrets' copyright.

In *Dimick v. Schmidt*, 293 U.S. 474, 485-86 (1935), this Court acknowledged that:

> The right of trial by jury is of ancient origin, characterized by Blackstone as "the glory of the English law" and "the most transcendent privilege which any subject can enjoy" (Bk. 3, p. 379); and, as Justice Story said (2 Story on the Constitution, 1779), ". . . the Constitution would have been justly obnoxious to the most conclusive objection if it had not recognized and confirmed it in the most solemn terms." With, perhaps, some exceptions, trial by jury has always been, and still is, generally regarded as the normal and preferable mode of disposing of issues of fact in civil cases at law as well as in criminal cases. Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care. *Compare Patton v. United States*, 281 U.S. 276, 312, 50 S. Ct. 253, 74 L.Ed. 854, 70 A.L.R. 263.
>
> The controlling distinction between the power of the court and that of the jury is that the former is the power to determine the law and the latter to determine the facts. In dealing with questions like the one now under consideration, that distinction must be borne steadily in mind.

Where a case turns on the "substantial similarity" of two non-identical fabrics as measured by an "ordinary observer," the matter is indisputably a question of fact. In *Schacht v. United States*, 398 U.S. 58, 69-70 (1970), this Court considered a First Amendment challenge to a statute prohibiting the unauthorized use of a military uniform, other than in "theatrical performances." In his concurring opinion, Justice White spoke of the importance of jurors, rather than a court, in playing the role of "ordinary observer":

> The critical question in deciding what is to count as a "theatrical production" ought to be whether or not considering all the circumstances of the performance, an *ordinary observer* would have thought he was seeing a fictitious portrayal rather than a piece of reality. And although the judge's instructions here did not precisely reflect this inter-

> pretation, *this question seems eminently suited to resolution by the jury.*

Id. at 69-70 (emphasis added).

In this case, the Court of Appeals, relying on the District Court's use of the word "inevitably," found that such a ruling at a bench trial was tantamount to a directed verdict, avoiding the nuisance of a jury trial on the key liability issue. *Segrets, Inc. v. Gillman Knitwear Company, Inc.*, 207 F.3d 56, 65-66, App. at 16a (1st Cir. 2000). However, a directed verdict is appropriate only "if the facts and inferences point so strongly and overwhelmingly in favor of one party that the court believes that reasonable men could not arrive at a contrary verdict." *Boeing v. Shipman*, 411 F.2d 365, 374 (5th Cir. 1969) (en banc) overruled on other grounds by *Gautreaux v. Scurlock Marine, Inc.*,107 F.3d 331 (5th Cir. 1997). *See also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986); *Brady v. Southern Ry. Co.*, 320 U.S. 476 (1943). The denial of a jury trial on the liability issues does not survive that test in this case, where the District Court specifically found that "reasonable minds could differ" on the issue of substantial similarity as to the Christie II sweater.

The Court of Appeals' decision may appear to be an expedient way to streamline proceedings on remand by attributing to the District Court the power to divine what "ordinary observers" would or would not "inevitably" conclude in comparing two clearly different fabrics. However, this Court steadfastly has declined to exalt procedural convenience over Seventh Amendment rights. In *Dimick*, the Court declined to expand the trial court's power to substitute its judgment for that of a jury in the context of a remittitur:

> It is said that the common law is susceptible of growth and adaptation to new circumstances and situations, and that the courts have power to declare and effectuate what is the present rule in respect of a given subject without regard to the old rule; and some attempt is made to apply that principle here. The common law is not immutable, but

> flexible, and upon its own principles adapts itself to varying conditions. *Funk v. United States*, 290 U.S. 371, 54 S.Ct. 212, 78 L.Ed. 369, 93 A.L.R. 1136. But here we are dealing with a constitutional provision which has in effect adopted the rules of the common law in respect of trial by jury as these rules existed in 1791. To effectuate any change in these rules is not to deal with the common law, qua common law, but to alter the Constitution. The distinction is fundamental, and has been clearly pointed out by Judge Cooley in 1 Const. Limitations (8th Ed.) 124.

Dimick, 293 U.S. at 487.

Likewise, the denial to Gillman of a genuine trial by jury of all factual issues – both liability and damages – would effectively alter the Constitution's right to trial by jury on questions of fact in copyright litigation, which this Court only recently reaffirmed in *Feltner*. The Court of Appeals' decision merits summary reversal, because of its failure to properly apply *Feltner* in a case where "reasonable minds might differ on the issue of substantial similarity."

CONCLUSION

The Petition for Writ of Certiorari should be granted and the decision below summarily reversed and remanded for a jury trial on all appropriate factual issues, including the substantial similarity of Gillman's Christie I and II sweaters.

Respectfully submitted,

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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

No. 99-1552

SEGRETS, INC.,
Plaintiff, Appellee,

v.

GILLMAN KNITWEAR CO., INC.,
Defendant, Appellant,

JUDGMENT

Entered: March 27, 2000

This cause came on to be heard on appeal from the United States District Court for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, it is now here ordered, adjudged and decreed as follows: We *affirm* the district court's findings that Gillman's Christie I and Christie II sweaters infringed Segret's Blanket Stitch design, and that Gillman copied Segret's Primitive Patterns Design. We *vacate* and *remand for a jury trial* the remaining issues: whether the stone-colored Charro sweater is substantially similar to the Primitive Patterns design; the willfulness of the infringement of the Blanket Stitch design (and of the Primitive Patterns design, if the jury determines that Gillman has infringed it); and damages.

So ordered

By The Court

PHOEBE MORSE
Clerk.

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

No. 99-1552

SEGRETS, INC.,
Plaintiff-Appellee,

v.

GILLMAN KNITWEAR CO., INC.,
Defendant, Appellant.

APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE DISTRICT OF MASSACHUSETTS

[Hon. Mark L. Wolf, *U.S. District Judges*]

March 27, 2000

Before: TORRUELLA, *Chief Judge*, LYNCH and LIPEZ, *Circuit Judges*.

LYNCH, *Circuit Judge*. This case involves a manufacturer that specializes in designer knock-offs or reinterpretations copying the designs of another manufacturer's popular sweaters. Segrets Inc., a designer and manufacturer of women's clothing sued Gillman Knitwear Co., Inc., alleging that Gillman violated the Copyright Act, 17 U.S.C. § 101 *et seq.*, by producing sweaters that infringed Segrets's copyrighted designs. The district court granted Segrets summary judgment on three issues: the validity of its copyrights, Gillman's actual copying of Segrets's designs, and infringement with respect to one Gillman sweater. After

the court, relying on *Chappell & Co.* v. *Palermo Café Co.*, 249 F.2d 77 (1st Cir. 1957), denied Gillman's motion for a jury trial, a magistrate judge conducted a three-day bench trial and concluded that two other Gillman sweaters infringed Segrets's designs, and that Gillman's infringement was willful. The magistrate awarded Segrets statutory damages of $67,000 and attorney's fees and costs of $145,536.28. Thereafter, in 1998, the Supreme Court held there was a constitutional right to jury trial when statutory damages are claimed in copyright actions. *See Feltner* v. *Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998).

Gillman appeals, arguing that the district court erred in granting summary judgment; that the evidence was insufficient to support the court's findings of infringement; and that, in light of *Feltner*, the court erred in denying Giliman's request for a jury trial. Segrets concedes that *Feltner* requires that a jury decide the issue of damages, but argues that we should affirm the district court's findings on infringement and willfulness.

We affirm the district court's conclusion that two of Gillman's sweaters, the Christie I and the Christie II, infringed Segrets's Blanket Stitch design. We vacate and remand for a jury trial the court's determinations on the remaining issues: whether the stone-colored Charro sweater infringed Segrets's Primitive Patterns design, the willfulness of each instance of infringement, and statutory damages.[1]

I.

Sigrid Olsen, founder and Creative Director of Segrets, and Dorian Lightbown, a Segrets designer, created both the Blanket Stitch and the Primitive Patterns sweater designs. Segrets registered both designs with the U.S. Copyright Office and attached copyright notification tags to the

[1] The district court should then determine the attorney's fees issue.

sweaters. Segrets, which became a subsidiary of Liz Claiborne Inc. in 1999, typically sells its products to retailers such as Macy's, Orvis, and Nordstrom, specialty stores, and catalogue firms.

Gillman creates designer "knock-offs," imitating costlier designs at lower prices. Gillman typically sells its sweaters to more moderately priced stores such as J.C. Penney in this country and abroad. Some customers of the two companies were in common.

A. *Segrets's Blanket Stitch Sweater*

Segrets began selling the Blanket Stitch sweater in mid-1993. Julie Smith, a Gillman designer, purchased a Blanket Stitch sweater and sent it to Gillman's overseas manufacturer. Following Smith's instructions, the manufacturer copied the Blanket Stitch sweater—changing only the color—to create samples of the Christie I sweater for Gillman. Smith did not think, according to her testimony, that there was copyright protection. The Blanket Stitch itself was produced in two different color patterns for different retailers. In the fashion industry it is common for designers to use other manufacturer's garments for inspiration. In early 1994, a Segrets customer saw the Christie I sweater in Gillman's catalog, sent the catalogue to Segrets, and Segrets notified Gillman that it believed that the Christie I infringed the Blanket Stitch design. Gillman had not yet sold any Christie I sweaters. In response to this communication from Segrets, Gillman's president, William Gillman, told the company's production manager, Teresa Chang, to make changes to the Christie I.

Chang, not herself a designer, spent two to three. hours that night altering the Christie I design to create the Christie II. She made a few changes to the embellishment and embroidery, but not to the jacquard design. Gillman used the Christie II to fill orders from its catalog, which pictured the Christie I, since the catalogue was already out. Gillman never

changed the picture in the catalog from the Christie I to the Christie II. Smith, Gillman's designer, said that "our major goal was to keep [the Christie II] the same as what we had—similar to what we had shown to our customers [the Christie I]." Few, if any, of Gillman's customers complained that they had not received the sweater depicted in the catalog. Gillman sold approximately 7,000 Christie II sweaters. No Christie I sweaters were sold.

Segrets, from its communications with Gillman, understood Gillman was changing the Christie I. Segrets asked to see the changes; Gillman declined.

Segrets notified Gillman in August 1994 that it believed the Christie II also infringed its design. Segrets filed this suit in October 1994. The complaint alleged that the Christie I and Christie II sweaters infringed Segrets's copyrighted Blanket Stitch design.[2] *See* 17 U.S.C.. § 501(b) (authorizing the owner of a copyright "to institute an action for . . . infringement").

B. *Segrets's Primitive Pattern Sweater*

Meanwhile, Segrets had begun selling its Primitive Patterns sweater in January 1994. The sweater was produced in only one color pattern, in tones of gray, black, white, and off-white. Smith purchased a Primitive Patterns sweater and sent it to Gillman's overseas manufacturer in the spring of 1994 to use as a model for the production of Gillman's Charro sweater. Gillman marketed the Charro sweater in three color combinations (stone, blue/chambray, and turquoise), and sold approximately 2,160 through July 1995.

In December 1994, Segrets learned of the Charro sweater and notified Gillman that it believed the sweater infringed the

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[2] Segrets's complaint also included counts alleging that Gillman had violated the Lanham Act, 15 U. S .C. § 1125 (a), which forbids false designations of origin, false descriptions, and dilution. Segrets is no longer pursuing these claims.

Primitive Patterns design. Segrets later amended its complaint to add a count of infringement with respect to the Charro sweater.

C. *Prior Proceedings*

Segrets filed a motion for summary judgment and elected to seek statutory damages under 17 U.S.C. § 504(c) in lieu of actual damages. Gillman opposed Segrets's summary judgment motion and filed a partial summary judgment motion of its own.

In order to prove each count of infringement, Segrets must show "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." "*Lotus Dev. Corp.* v. *Borland Int'l, Inc.*, 49 F.3d 807, 813 (1st Cir. 1995) (quoting *Feist Publications, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991)) (internal quotation marks omitted). The first prong of *Feist*, Segrets's ownership of a valid copyright, is not in dispute. *Feist*'s second prong has two steps. The first step requires a plaintiff to prove that the defendant copied the plaintiff's copyrighted work as a factual matter (either directly or through indirect evidence). In the second step, the plaintiff must prove that the copying of the copyrighted material was so extensive that it rendered the infringing and copyrighted works "substantially similar." *Id.*

On September 26, 1996, the district court granted summary judgment in part. specifically, the court granted summary judgment on the issues of: (1) the validity of Segrets's Blanket Stitch and Primitive Patterns copyrights (*Feist*'s first prong); (2) Gillman's actual copying of the Blanket Stitch design in its Christie I and II sweaters, and its actual copying of the Primitive Patterns design in its Charro sweater (the first step of *Feist*'s second prong); and (3) the substantial similarity of Gillman's Christie I sweater to Segrets's Blanket Stitch design (the second step of the second prong). The court denied summary judgment for Segrets on the remaining

issues: (1) the substantial similarity of Gillman's Christie II sweater to Segrets's Blanket Stitch design; (2) the substantial similarity of Gillman's Charro sweater to Segrets's Primitive Patterns design; (3) the willfulness of Gillman's infringing conduct with respect to the Christie I, and with respect to any other potentially infringing conduct; and (4) damages and any other aspects of an appropriate remedy.

Following the summary judgment ruling, Gillman moved for a jury trial on the remaining liability issues and statutory damages. The district court denied Gillman's motion, relying on *Chappell & Co.*, which held that a defendant has no right to a jury trial in a copyright suit for statutory damages, *see* 249 F.2d at 81. Under the case law, there was a right to jury trial if the plaintiff claimed actual damages. *See Feltner*, 523 U.S. at 346 (citing cases). Like this court, most circuits to consider the issue had, however, carved out an exception to the jury trial right for statutory damages cases. *See Columbia Pictures Television* v. *Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 293 (9th Cir. 1997) (collecting cases) , *rev'd sub nom. Feltner* v. *Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.04[C] [1] (1999) (*Nimmer on Copyright*).

The issues not decided on summary judgment were tried before a magistrate judge. In an able opinion, the magistrate judge found that Gillman's Christie II sweater was substantially similar to Segrets's Blanket Stitch design; that Gillman's Charro sweater in the "stone" color combination was substantially similar to Segrets's Primitive Patterns design; and that Gillman's infringement of Segrets's copyrights was willful. The magistrate also found that the Charro sweater in two other color combinations (blue/chambray and turquoise) did not infringe the Primitive

Patterns design.[3] Segrets was awarded $67,000 in statutory damages and $145,536.28 in attorney's fees.

II.

A. *Summary Judgment*

Issues properly decided on summary judgment need not be remanded for the jury trial recognized by *Feltner*. *See Columbia Pictures Television* v. *Krypton Broad. of Birmingham, Inc.*, 152 F.3d 1171, 1171-72 (9th Cir. 1998) (*Feltner* decision did not require remand for jury trial on issue of liability, which had been decided on summary judgment). Thus we turn to the propriety of the summary judgment rulings.

The district court granted Segrets summary judgment on several issues: the validity of its copyrights; Gillman's actual copying of Segrets's Blanket Stitch and Primitive Patterns designs; and the Christie I sweater's substantial similarity to the Blanket Stitch design. On appeal, Gillman contends that the trial court erred in granting summary judgment on the issue of infringement by the Christie I. First, Gillman argues that the fact that it referred to the copyrighted Blanket Stitch design while it was designing the Christie I should not create an inference of infringement. Referring to other designers' garments during the design process is a common industry practice. Second, Gillman asserts that the trial court failed to focus on the "protectible elements" of the Blanket Stitch design when it determined that the Christie I was substantially similar to it. In Gillman's view, the elements of the Blanket Stitch design that had been commonly used in earlier designs are unprotectible. Finally, Gillman argues that color differences are significant in determining substantial similarity, and the color differences between the Blanket Stitch and Christie I designs were at least significant enough

[3] Segrets has not cross appealed from this determination.

to prevent Segrets from prevailing on summary judgment. Gillman also claims that the trial judge's statement that he was partially color-blind demonstrates that he was unable to apply the substantial similarity test to the photographs of the sweaters submitted as part of the summary judgment papers.

Our review of the entry of summary judgment is de novo. *See Dominquez-Cruz* v. *Suttle Caribe, Inc.*, 202 F.3d 424, 428 (1st Cir. 2000). That the matter was resolved on cross motions does not change this standard of review. *See Wightman* v. *Springfield Terminal Ry. Co.*, 100 F.3d 228, 230 (1st Cir. 1996). Given this standard, Gillman's criticisms of the means by which the district court reached its conclusions on summary judgment are largely beside the point.[4]

The district court's first conclusion—that Segrets's Blanket Stitch and Primitive Patterns copyrights are valid—is unchallenged. As for the court's second conclusion, that Gillman copied Segrets's designs, this case—somewhat unusually—provides direct evidence of copying by the defendant. *See Rogers* v. *Koons*, 960 F.2d 301, 307 (2d Cir. 1992) (referring to "the rare scenario where there is direct evidence of copying"). Gillman criticizes the holding that it actually copied the Blanket Stitch (as to Christie I and II) and Primitive Patterns designs (as to Charro) by saying that referring to a copyrighted garment during the design of another garment does not create an inference of infringement. Our review of the undisputed evidence, however, shows that Gillman did much more than merely "refer to" Segrets's designs. The uncontradicted testimony of Gillman's own designer, Julie Smith, indicates that she purchased both the Blanket Stitch and Primitive Patterns sweaters and sent them to an overseas manufacturer for use as models for Gillman's sweaters. The Christie I was directly copied from the Blanket

[4] Thus, we pretermit the issue of the trial judge's partial color blindness except to note that this is true of a large portion of the population.

Stitch design, and the Charro was a variation of the Primitive Patterns design.

Furthermore, there are unquestionably "sufficient articulable similarities to justify a finding that the defendant has copied from the protected work. "*Concrete Mach. Co.* v. *Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 608 (1st Cir. 1988). Indeed, other than color, it is difficult to find any articulable *differences* between the Christie I and the Blanket Stitch design. The geometric patterns, the stitching, and the number and arrangement of the buttons all appear identical.

Unlike the Christie I, the Christie II is not a virtually identical copy of the Blanket Stitch design. The Christie II does, however, retain more than enough similarities to the Blanket Stitch design to mandate the conclusion that it is also the product of copying.

The same is true of the Charro. Many of the patterns in the Charro sweater are strikingly similar to those found in the intricate Primitive Patterns design, and the patterns are arranged in a similar order. Thus, there are no genuine issues of material fact as to the first step of *Feist*'s second prong—Gillman's copying of both of Segrets's copyrighted designs—and summary judgment on that issue was appropriate.

Gillman also attacks the district court's holding on summary judgment that the Christie I is substantially similar to the Blanket Stitch design. Whether two works are substantially similar is determined by the "ordinary observer" test. *Id.* at 607 (internal quotation marks omitted). "The test is whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectible expression by taking material of substance and value." *Id.* (quoting *Educational Testing Servs.* v. *Katzmann*, 793 F.2d 533, 541 (3d Cir. 1986)) (internal quotation marks omitted).

Applying the ordinary observer test, the undisputed evidence mandates the conclusion that the Christie I design is substantially similar to the Blanket Stitch design. The designs are virtually identical, the sole noticeable difference being the colors. Gillman cannot copy the intricate patterns and juxtapositions of the Blanket Stitch design virtually line-for-line and then escape liability for infringement merely by changing the color and saying this necessarily destroys any substantial similarity. *See Novelty Textile Mills, Inc.* v. *Joan Fabrics Corp.*, 558 F.2d 1090, 1094 n.6 (2d Cir. 1977), *cited in Concrete Machinery*, 843 F.2d at 610. Color may be a factor, among others, in determining substantial similarity in clothing designs. But that does not assist Giliman's case. Even considering the color variation, there was substantial similarity.

Based on de novo review of the evidence presented in summary judgment, we affirm the district court's grant of summary judgment on Gillman's actual copying of the Blanket Stitch and Primitive Patterns designs, and on the substantial similarity of the Christie I to the Blanket Stitch design. While summary judgment for a plaintiff on these issues is unusual, *see* 3 *Nimmer on Copyright* § 12.10[A], at 12-150 to 12-151, it is warranted on these facts, *cf. Lipton* v. *Nature Co.*, 71 F.3d 464, 471 (2d Cir. 1995) (affirming grant of summary judgment to plaintiff on the issue of substantial similarity); *Rogers*, 960 F.2d at 308 (same).

B. *Issues Decided After the Bench Trial*

Feltner held that "the Seventh Amendment provides a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the Copyright Act, including the amount itself." 523 U.S. at 355. Gillman argues that *Feltner*'s holding must be applied retroactively to this case, and that even if we do not reverse the district court's summary

judgment rulings, we must vacate and remand for a trial by jury on all remaining issues.

Retroactive application of *Feltner* is required. In *Harper* v. *Virginia Department of Taxation*, 509 U.S. 86 (1993), the Supreme Court held that its "application of a rule of federal law to the parties before the Court requires every court to give retroactive effect to that decision." *Id.* at 90. The Court applied the rule it announced in *Feltner* to the parties before it. *See Feltner*, 523 U.S. at 355. Segrets concedes that *Feltner* requires that a jury determine the amount of statutory damages. In Segrets's view, however, that is the only issue that must be remanded to a jury, for several reasons. Segrets argues that it is unnecessary to remand the lower court's findings after the bench trial that the Christie II design was substantially similar to the Blanket Stitch design, and that the Charro design in the stone color combination was substantially similar to the Primitive Patterns design. Segrets first asserts that this court has authority to review substantial similarity de novo (although we have never held this), and so it follows that a remand is unnecessary.

In addition, Segrets contends that on any issue as to which a directed verdict would have been appropriate, a remand for a jury trial is not needed. This is true, Segrets says, both as to the findings of substantial similarity and willfulness. Segrets says that evidence was presented at the bench trial which was not presented on summary judgment. Thus, even if the decision to deny summary judgment on these issues was correct (which Segrets does not concede), there would be no anomaly in a directed verdict at the bench trial on both issues.

The premise of Segrets's first argument is that we would accept the Second Circuit's de novo approach to appellate review of the substantial similarity issue. We noted, but did not resolve the issue, in *Matthews* v. *Freedman*, 157 F.3d 25, 28 n.3 (1st Cir. 1998), and need not do so here. In *Folio*

Impressions, Inc. v. *Byer California*, 937 F.2d 759 (2nd Cir. 1991), the court held:

> In considering substantial similarity between two items, we review the district court's findings *de novo*—not on the clearly erroneous standard—because what is required is only a visual comparison of the works, rather than credibility, which we are in as good a position to decide as was the district court.

Id. at 766. *Folio* was a non-jury case and affirmed the district court's determination, following bench trial, that there was no substantial similarity between two fabric designs. *See id.* at 762, 766. We have found no Second Circuit cases applying this standard to a finding of substantial similarity by a jury.

Several other circuits have rejected de novo review after trial of "substantial similarity" and similar findings in intellectual property cases. In *Wildlife Express Corp.* v. *Carol Wright Sales, Inc.*, 18 F.3d 502 (7th Cir. 1994.), the Seventh Circuit said that it followed "the clearly erroneous standard" but also said that the appellate court itself would engage in "side-by-side" comparison and "ocular comparison" [5] *Id.* at 506 n.1.

Other circuits have adhered to clearly erroneous review. *See, e.g., Kepner-Tregoe, Inc.* v. *Leadership Software, Inc.*, 12 F.3d 527, 532-33 (5th Cir. 1994); *Whelan Assocs. Inc.* v. *Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1233 & n.25 (3d Cir. 1986); *Original Appalachian Artworks, Inc.* v. *Toy Loft, Inc.*, 684 F.2d 821, 825 & n.4, 830 (11th Cir. 1982); *Williams v. Kaag Mfrs., Inc.*, 338 F.2d 949, 951 (9th Cir . 1964) ("We have commented frequently on the inappropriateness of substituting our judgment for that of the trial judge on

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[5] Nimmer views this purported adherence to the clearly erroneous standard as a formalism. *See* 3 *Nimmer on Copyright* § 12.12, at 12-189.

questions of fact. The more vague the test, the less inclined are we to intervene.").

We have treated the question of substantial similarity as a "mixed question of fact and law." *O'neill* v. *Dell Publ.'g Co.*, 630 F.2d 685, 687 (1st Cir. 1980). In so doing we have also compared the two items at issue. *See id.* at 690 (comparing two novels and saying "[a]lthough we may not be qualified literary critics, we are fitted by training and experience to compare literary works and determine whether they evidence substantial similarity"); *see also Grubb* v. *KMS Patriots, L.P.*, 88 F.3d 1, 2 (1st Cir. 1996) (court itself comparing design to allegedly infringing team logo). The question of the appellate standard of review of the issue of substantial similarity is ultimately one of how much deference is given to the trier of fact. It is of a kind with other situations where the appellate court has before it undisputed documents or photographs, there are no credibility determinations, and there is no expert testimony. In such situations, it could equally well be said that the appellate court's role in determining whether there was error has simply been made easier, not that the standard of review is different.

That question of deference, it strikes us, is different in kind from the question of whether a party may be deprived of its constitutional right to a jury trial simply because an appellate court may be in as good a position as the trier of fact to draw the needed conclusions about substantial similarity. First, even as to bench trials, Rule 52 (a), Fed. R. Civ. P., requires that deference be given on appeal to a trial judge's factual findings, regardless of whether there are credibility findings. *See Anderson* v. *City of Bessemer City*, 470 U.S. 564, 573-75 (1985). Second, appellate judge-made rules as to deference in standards of review cannot trump a constitutional right. Even

when independent appellate review[6] has been thought to be constitutionally required, as in some First Amendment cases, *see Hurley v. Irish-American Gay, Lesbian and Bisexual Group of Boston, Inc.*, 515 U.S. 557, 567-68 (1995); *Bose Corp.* v. *Consumers Union of United States, Inc.*, 466 U.S. 485, 510-11 (1984), the Supreme Court has never suggested this casts doubt on the underlying jury trial right. And so Segrets's first argument against remand for a jury trial fails.

Segrets's alternative argument does provide a basis under which remand may be unnecessary. The denial of a jury-trial is harmless error if the evidence meets the standard for a directed verdict.[7] *See In re N-500L Cases*, 691 F.2d 15, 25 (1st Cir. 1982); *see also Frost* v. *Agnos*, 152 F.3d 1124, 1131 (9th Cir. 1998); *McDonald* v. *Steward*, 132 F.3d 225, 231 (5th Cir. 1998); 9 Wright & Miller, *Federal Practice and Procedure* § 2322, at 175 & n.6 (1994 & Supp. 1999). To determine whether judgment as a matter of law is appropriate, we review the magistrate's conclusions de novo, viewing the evidence in the light most favorable to Gillman. *See Ferrara & DiMercurio, Inc.* v. *St. Paul Mercury Ins. Co.*, 169 F.3d 43, 53 (1st Cir. 1999). The party opposing judgment as a matter of law must provide "more than a scintilla of evidence and may not rely on conjecture or speculation. "*Id.* (quoting *Katz* v. *City Metal Co.*, 87 F.3d 26, 28 (1st Cir. 1996)) (internal quotation marks omitted). The court "must not consider the

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[6] "Independent review" is close to but not equivalent to de novo review. *See Bose Corp.* v. *Consumers Union of United States, Inc.*, 466 U.S. 485, 514 n.31 (1984); *Daggett* v. *Commission on Governmental Ethics and Election Practices*, Nos. 99-2242, 00-1066, 99-2274, 00-1061, 2000 WL 254345, at *7 (1st Cir. Mar. 7, 2000); *Veilleux* v. *National Broad. Co.*, Nos. 98-2104, 98-2176, 2000 WL 249165, at *7 (1st Cir. Mar. 6, 2000).

[7] *Feltner* does not require that issues properly decided on summary judgment be remanded to a jury. Similarly, a directed verdict does not offend the Seventh Amendment right to trial by jury. *See Galloway* v. *United States*, 319 U.S. 372, 389 (1943).

credibility of witnesses, resolve the conflicts in testimony, or evaluate the weight of the evidence." *Id.* (quoting *Andrade* v. *Jamestown Hous. Auth.*, 82 F.3d 1179, 1186 (1st Cir. 1996)) (internal quotation marks omitted). "A verdict may be directed only if, applying these standards, the evidence does not permit a reasonable jury to find in favor of "Gillman. *Id.* quoting *Brennan* v. *GTE Gov't Sys. Corp.*, 150 F.3d 21, 26 (1st Cir. 1998)) (internal quotation marks omitted).

Using that test, there is one issue which need not be remanded for a jury trial: that of the Christie II's substantial similarity to the Blanket Stitch design.[8] The magistrate judge held that the ordinary observer viewing the Christie II "would *inevitably* conclude that Gillman unlawfully appropriated the [Blanket Stitch] design" (emphasis added). Taking this as the equivalent of a directed verdict, and after comparing the photographs of the two works ourselves and reviewing the record, we agree. Chang, the Gillman employee who made the changes, said that the patterns in the Christie II design were "majorly" identical to those in the Christie I. A row of

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[8] Gillman also argues that Segrets's failure to offer the Blanket Stitch sweater into evidence prevented the court from making the sort of side-by-side comparison required in determining substantial similarity, and that the district court erred in admitting instead photographs of the Blanket Stitch design. (The Christie I and Primitive Patterns sweaters were introduced into evidence.) The magistrate rejected this objection.

Determinations regarding the admissibility of photographs lie within the sound discretion of the district court. *See Lubanski* v. *Coleco Indus., Inc.*, 929 F.2d 42, 47-48 (1st Cir. 1991). We find no abuse of discretion. Photographs have been accepted and used in fabric design infringement cases. *See, e.g., Spectravest, Inc.* v. *Mervyn's, Inc.*, 673 F. Supp. 1486, 1489-90 (N.D. Cal. 1987). The color photographs show both the front and the back of the Blanket Stitch sweater in detail. Furthermore, the magistrate had the actual Blanket Stitch sweater before her during the three-day trial, although it was not made an exhibit. In fact, Gillman relied on photographs in its motion for partial summary judgment and could easily have introduced the Blanket Stitch sweater itself if it thought the sweater would be helpful to its claim of no substantial similarity.

diamond-shaped figures in the Blanket Stitch design has been changed to a row of arrows in the Christie II; in two areas, short diagonal lines have been added to the Christie II. The number and location of certain buttons has been changed as well.

These limited changes[9] do not overcome the conclusion of overall similarity the ordinary observer "inevitably" has on viewing the Christie II and the Blanket Stitch designs side-by-side. That is particularly so given the intricacy of the Blanket Stitch design. As held in *Concrete Machinery*:

> Slight or trivial variations between works will not preclude a finding of infringement under the ordinary observer test. . . . At times, the existence of only minor differences may itself suggest copying, indicating that the infringer attempted to avoid liability by contributing only trivial variations. This is not to suggest that an artist cannot avoid infringement by intentionally making substantial alterations in the design of a copyrighted work so as to provide a substantially different expression of the idea embodied in the copyrighted work. Yet, it is only when "the points of dissimilarity not only exceed the points of similarity, but indicate that the remaining points of similarity are (within the context of plaintiff's work) of minimal importance either quantitatively or qualitatively, [that] no infringement results."

843 F.2d at 608 (quoting 3 *Nimmer on Copyright* § 13.03[B], at 13-43 (1987)) (citations omitted).

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[9] Gillman offered evidence that it followed what it characterized as an industry rule of thumb that there was no copyright violation if at least five to seven changes were made in a garment. Segrets' witnesses denied there was any such rule of thumb. The legal test is the substantial similarity standard, described in the text, which focuses on the effect of the changes. Mechanical rules concerned with numbers of changes are not the legal test.

Further, the Christie II was pictured in sales catalogues by using the Christie I photograph, and the Christie I was identical in design to the Blanket Stitch. There was no evidence of customers returning Christie II sweaters because it was different from the sweater in the catalogue picture. Thus, in total, judgment for Segrets was appropriate on a directed verdict standard.

In contrast, the evidence of the substantial similarity of the Charro sweater in the stone color combination to the Primitive Patterns design does not meet the directed verdict standard. Nor did the magistrate judge say that the conclusion of substantial similarity was inevitable. As the magistrate judge noted, the differences between the Charro sweater and the Primitive Patterns design are more noticeable than those between the Christie II and the Blanket Stitch design. There are variations in the stitching, and some of the rows of patterns are arranged in a different order. Because the evidence could permit a reasonable jury to find in favor of either party, the question of the substantial similarity of the Charro sweater in the stone color combination [10] to the Primitive Patterns design must be remanded.

Similarly, the issue of willfulness must be remanded to a jury. Although Segrets's evidence is quite strong, the issue of willfulness involves witness credibility, resolving conflicts in testimony, and evaluating the weight of the evidence—steps courts are not permitted to take in the directed verdict context.

Finally, as is undisputed, we must vacate and remand for a jury trial the determination of statutory damages. We decline

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[10] Because there was no cross appeal of Magistrate's determination against Segrets on the issue of the substantial similarity of the Charro sweater in the two other color combinations (blue/chambray and turquoise), we take that issue as concluded.

to rule on Segrets's proposed list of undisputed facts with respect to damages. That is the province of the district court.

III.

We *affirm* the district court's findings that Gillman's Christie I and Christie II sweaters infringed Segrets's Blanket Stitch design, and that Gillman copied Segrets's Primitive Patterns design. We *vacate* and *remand for a jury trial* [11] the remaining issues: whether the stone-colored Charro sweater is substantially similar to the Primitive Patterns design; the willfulness of the infringement of the Blanket Stitch design (and of the Primitive Patterns design, if the jury determines that Gillman has infringed it); and damages.

So ordered.

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[11] If the parties do not resolve this matter, and there is a new trial, we reiterate our rule that expert testimony on the topic of "substantial similarity" is not permissible. While expert testimony may be used to establish that there was copying (from evidence of substantial similarity), where factual copying has been established, as here, there should be no expert testimony to establish whether or not there was substantial similarity. *See Concrete Machinery*, 843 F.2d at 608. That is because the test is an "ordinary observer test."

APPENDIX C

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Civil Action No. 94-12015-MBB

SEGRETS, INC.,

Plaintiff,

v.

GILLMAN KNITWEAR COMPANY, INC.,

Defendant.

FINAL JUDGMENT

April 2, 1999

BOWLER, U.S.M.J.

This case came on for trial in February 1998 before this court and the issues having been duly tried and a decision rendered,

It is ORDERED and ADJUDGED that plaintiff Segrets, Inc. recover of defendant Gillman Knitwear Company, Inc. the sum of $67,000 in statutory damages and $145,536.28 in attorneys' fees and costs.

/s/ Marianne B. Bowler
MARIANNE B. BOWLER
United States Magistrate Judge

APPENDIX D

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Civil Action No. 94-12015-MBB

SEGRETS, INC.,

Plaintiff,

v.

GILLMAN KNITWEAR COMPANY, INC.,

Defendant.

MEMORANDUM AND ORDER

August 12, 1998

BOWLER, U.S.M.J.

Plaintiff Segrets, Inc. ("Segrets") filed this action against Giliman Knitwear Company, Inc. ("Gillman") on October 6, 1994. Count I of the three count original complaint alleges a violation of the Copyright Act, 17 U.S.C. §§ 101 *et seq.* ("the Copyright Act"), and counts II and III allege violations of The Lanham Act, 15 U.S.C. § 1125(a). The controversy depicted in the original complaint stems from Gillman's production and distribution of a sweater vest under the name of Christie (the "Christie I sweater") . Thereafter, Segrets amended its complaint to allege additional counts for copyright infringement and violation of the Lanham Act due to Gillman's production and distribution of a cardigan sweater under the name of Charro (the "Charro sweater")

Segrets, a company which designs, manufactures and markets women's clothing, holds a number of copyrights on its designs. One such copyright is for the fabric design entitled the Blanket Stitch Vest Style # 736033 (the "Blanket Stitch design") which generated a sweater vest under the same name (the "Blanket Stitch sweater"). Segrets submits

that Giliman's Christie I sweater and a subsequent modification, denoted the Christie II sweater, infringe its copyrighted Blanket Stitch design.

Segrets also holds a copyright for a fabric design entitled the Primitive Patterns Cardigan # 126134 (the "Primitive Patterns design") which generated a cardigan sweater under the same name (the "Primitive Patterns sweater"). Segrets contends that Gillman's production and distribution of the Charro sweater infringes its copyrighted Primitive Patterns design.

In response to a September 6, 1996 Order issued by the district judge, Segrets characterized the Lanham Act claims as duplicative of the copyright infringement claims. Segrets further stated that if the court allowed its summary judgment motion and its request for statutory damages and attorneys' fees, then Segrets would waive the Lanham Act claims in the amended complaint, counts III through VI. After the district judge partially allowed the summary judgment motion, the parties proceeded to trial on the copyright infringement i.e., counts I and II of the amended complaint. Segrets also did not object to Gillman's proposed finding that there was no evidence of customer confusion as to the source of the Christie II and Charro sweaters. In light of this court's resolution of the copyright claims, Segrets is ordered to advise this court on or before August 21, 1998, as to the status of counts III through VI of the amended complaint.

On September 26, 1996, the district judge issued an oral ruling on Segrets' motion for summary judgment and, thereafter, a written decision. With respect to Count I for copyright infringement of the Blanket Stitch design and Count II for copyright infringement of the Primitive Patterns design, the district judge allowed summary judgment on the issue of the validity of the copyrights. Under Count I, the district judge also allowed the summary judgment motion on the issue of: (1) Gillman's actual copying of the Blanket

Stitch design in its Christie I and Christie II sweaters; and (2) the substantial similarity of Gillman's Christie I sweater and the Blanket Stitch design. Under Count II, the district judge allowed the summary judgment motion on the issue of Gillman's actual copying of the Primitive Patterns design in the Charro sweater but denied the motion as to the substantial similarity of the Charro sweater and the Primitive Patterns design.

Issues remaining for trial on the copyright infringement counts primarily include: (1) the substantial similarity of the Christie II sweater and the Blanket Stitch design; (2) the substantial similarity of the Charro sweater and the Primitive Patterns design; (3) the wilfullness of Gillman's infringement, if any, of the Blanket Stitch design and the Primitive Patterns design; (4) the amount of statutory damages, if any; [1] and (5) the amount of attorneys' fees and costs, if any. During a three day bench trial, this court heard testimony from the following witnesses: Dorian Lee Lightbown ("Lightbown") , Senior Design Director of Knitwear at Segrets; Theresa Chang ("Chang"), Production Manager for Gillman; William Gillman, President of Gillman; Sigred Olsen ("Olsen"), Creative Director at Segrets as well as the founder of the company; Julie Smith ("Smith"), primary designer for Gillman's women's line of clothing in the 1990s until her departure from Gillman in the fall of 1996; Steven J. Kandrac ("Kandrac"), Senior Vice President and Chief Financial Officer at Segrets; and Professor Margaret VoelkerFerrier ("Gillman's expert"), Associate Professor of Design at the University of Cincinnati.

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[1] Segrets elected to recover statutory damages under 17 U.S.C. § 504(c).

FACTUAL HISTORY

Segrets, a Massachusetts corporation, designs women's clothing and owns the copyrights to the Blanket Stitch design and the Primitive Patterns design. Lightbown, together with Olsen, created both the Blanket Stitch and the Primitive Patterns designs.

In 1992 Lightbown began the process of designing the Blanket Stitch sweater. Using her interpretation of a southwestern theme, she sketched the sweater line for line.[2] She does not, however, consider color as part of her designs.[3]

Contrary to Lightbown's belief, however, this court finds that color comprised part of the Blanket Stitch design as well as part of the Primitive Patterns design. In general, color forms part of the design process to create a piece of women's clothing. It is important to female consumers in deciding whether to purchase an item of clothing. Color changes the appearance of a garment, sometimes dramatically. As noted by Smith, a person will not even look at a pattern if the color is poor or incorrect.

In creating a design, Olsen, who typically chooses the colors employed in Segrets' sweaters, testified that the design is drawn on a piece of paper "and then its colored." Olsen chose the colors for the Blanket Stitch and the Primitive

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[2] Segrets invests a significant amount of money to create original designs. Segrets' designers generally draw a design on a piece of paper, line for line, which is then colored and copyrighted, if appropriate. Olsen testified that the Blanket Stitch and the Primitive Patterns sweaters were some of Segrets' best selling items.

[3] Lightbown also does not consider the blanket stitch appearing along the sweater's edge as part of the design. Although the use of a blanket stitch is not a protected expression *per se*, the use of the stitch incorporated into a particular pattern with contrasting colors in a sweater with row upon row of patterns and particular stitches creates an overall design which is a protected expression under the Copyright Act.

Patterns designs. She also stated that, "My part of the design is selecting colors."

In addition to the foregoing, color is an integral part of the Blanket Stitch design because it serves to distinguish and define the rows and patterns therein. Likewise, color serves to distinguish the rows and to create the marled look of the Primitive Patterns design. Moreover, the Blanket Stitch sweater was part of a color coordinated line of clothing.[4] Similarly, the Primitive Patterns design formed part of a color coordinated line of clothing thereby indicating the importance of color in the garment's design. Finally, as required, *see* 37 C.F.R. §202.21(a) (1997), Segrets attached a color photograph of the Blanket Stitch sweater and the Primitive Patterns sweater to identify the copyrighted works as part of its copyright applications.

For the fall 1993 season, Olsen chose the colors for the Blanket Stitch sweater. The primary color is a deep blue with different shades of blue, brown, tan and white along the horizontal lines of the design. Segrets began selling the Blanket Stitch sweater in the summer or fall of 1993 at a wholesale list price of $39.[5] After the fall of 1993 Segrets sold an embellishment of the Blanket Stitch sweater, done

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[4] Segrets sold the Blanket Stitch sweater as part of its Route 66 collection, a color coordinated line of women's sportswear for the fall 1993 season. The line was designed to embody a southwestern style of clothing. Although a southwestern theme is not necessarily protected by the Copyright Act, the particular combination of rows with contrasting colors in the Blanket Stitch design, each of which contains specific patterns and stitches, constitutes a protected expression of the idea of emulating a southwestern theme. Similarly, the particular combination of rows in the Primitive Patterns design, each of which contains specific patterns, colors and stitches, constitutes a protected expression of the idea of creating a natural or primitive looking sweater.

[5] Segrets sold a total of 13,476 Blanket Stitch sweaters through the spring of 1995.

primarily in purple and peach colors, exclusively to Orvis, a well known chain of retail stores.

In creating the Christie I sweater, Smith initially purchased the Blanket Stitch sweater and brought the sweater back to her office. She also sent the sweater to Gillman's overseas manufacturer in order for the manufacturer to create a sample.[6] Except for the colors, the Christie I sweater was a copy of the pattern of the Blanket Stitch sweater. In fact, Smith essentially instructed the manufacturer to make a copy the Blanket Stitch sweater except for the color. According to Smith, at some point in the approval process, William

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[6] On the first day of the trial, Segrets offered portions of Smith's deposition and Chang's deposition. Gillman did not object to allowing in portions of either deposition except as to particular matters, primarily related to testimony involving another copyright infringement action which Gillman subsequently settled. This court sustained Gillman's objection to Smith's testimony on direct examination as to this other lawsuit. (Transcript, Day One, pp. 100-102). Inasmuch as this court finds ample evidence of wilfulness elsewhere in the record, this court need not and does not consider the existence of the single lawsuit, settled out of court, in the course of assessing Gillman's conduct as wilful or innocent. Thus, this court did not consider Chang's or Smith's deposition or trial testimony on the existence and their knowledge of the other lawsuit. In addition, even if, for purposes of argument only, this court considered the testimony, it would not alter its decision as to the amount of statutory damages. Rather, the lawsuit provides additional support evidencing Gillman's pronounced wilfulness as opposed to manifesting a greater degree of wilfulness.

As to the admissibility of other portions of the depositions of Chang and Smith, to the extent Gillman did not object to the admissibility of the testimony at trial when it was offered, it was, accordingly, admitted, albeit not necessarily relied upon by this court in the course of rendering its decision. It is not clear whether the deponents testified as witnesses designated under Rule 30 (b) (6) , Fed. R. Civ. P. Although Gillman filed an objection prior to trial (Docket Entry # 71) , it waived these objections unless Gillman either referred to these objections at the time the testimony was offered or otherwise made an objection at the time the testimony was offered.

Gillman approved these instructions. Gillman's overseas manufacturer produced 36 samples of the Christie I sweater which, except for the colors, were identical to the Blanket Stitch sweater.[7]

William Gillman first learned of Segrets' copyright infringement claim vis-a-vis the Christie I sweater in April 1994.[8] In particular, by letter dated April 18, 1994, Kandrac notified William Gillman of Gillman's unauthorized use of the Blanket Stitch design in the Christie I sweaters. Having received the copyright infringement notification letter from Segrets, Gillman decided to forego its plans to sell the Christie I sweater.[9] Instead, it modified the design of the

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[7] Gillman did not sell these 36 samples of the Christie I sweater.

[8] By stipulation, the parties agree that Segrets notified Gillman in March 1994 of its contention that the Christie I sweater infringed the Blanket Stitch design. The difference between the March 1994 and the April 1994 notification dates does not effect this court's assessment of statutory damages.

[9] By letter dated May 9, 1994, Kandrac explicitly informed Gillman's attorney that continued sales of a modified version of the Christie I sweater after notification constituted wilful infringement. The letter also suggested that Segrets review any derivative garment prior to its manufacture. By letter dated May 11, 1994, Gillman's counsel advised Kandrac that Gillman would not make any garment available to Segrets because Segrets was a competitor. The May 11, 1994 letter also informed Kandrac that Gillman would continue to produce a modified version of the Christie I sweater. The letter additionally referred to Gillman's attempt to negotiate a limited license agreement.

By letter dated August 15, 1994, Segrets' counsel wrote to Gillman's counsel reiterating Gillman's infringing conduct and repeating an earlier request for assurance that Gillman had ceased the distribution and sale of Segrets' copyrighted designs. Notwithstanding testimony from Gillman's witnesses acknowledging the similarities, except for the colors, between the Christie I and the Blanket Stitch sweaters, by letter dated August 19, 1994, Gillman's counsel stated that, Gillman believes it has never infringed upon any copyright of Segrets. The letter also characterized any further correspondence as sanctionable. (Continued)

In mid-1994 Segrets ordered the Christie II sweater from the Gillman catalogue and determined that Gillman was still marketing and selling an infringing garment. Accordingly, Segrets' counsel wrote another letter to Gillman's counsel dated August 25, 1994. The letter advised Gillman's counsel that the modified sweater, i.e., the Christie II sweater, remained substantially similar to the Blanket Stitch design. The letter also repeated the warning that continued sale of the infringing sweaters constituted wilful infringement. The letter further requested an accounting and assurance that Gillman would cease distributing and selling both the Christie I and the Christie II sweaters.

By letter dated August 31, 1994, Gillman's counsel replied that Gillman never delivered the Christie I sweater to any customer. As to the modified or derivative Christie II sweater, Gillman's counsel stated that it had delivered approximately 500 dozen of the sweaters at a price of $16 per sweater. The letter additionally represented that Gillman had no more sweaters in stock and did not intend to sell anymore of the original Christie I sweaters or the redesigned Christie II sweaters. As evidenced by other documents, however, these statements were inaccurate. Requested delivery dates for the Christie II sweaters include: October 1, 5, 10, 11, 17 and 20, 1994; November 1, 1994; and December 6 and 12, 1994. In addition, a Gilman invoice describes a shipment of the Christie II sweater "as 9/25/94." Finally, the August 31, 1994 letter asserted that the Blanket Stitch design was a common Indian pattern which was not the subject of a proper copyright. In light of the originality and the intricacy of the design, however, such an assertion does not detract from the wilful nature of Gillman's conduct.

By letter dated January 3, 1995, Gillman's counsel informed Segrets' counsel that "about ninety-five percent of the [Charro] sweaters" had been shipped to customers. By letter dated March 3, 1995, however, Gillman's counsel corrected the aforementioned statement noting that Gillman had only sold an estimated 40% of the manufacturing run for the Charro sweater. William Gillman testified that he was out of town when he provided the initially incorrect, 95% figure to counsel.

Finally, a September 19, 1994 letter from Gillman's counsel to Segrets' counsel reads, in part, as follows:

> While I recognize that you have a right to litigate your claims, it would seem to me that Segrets' cost of litigating these claims are (sic) likely to far exceed any potential benefit that might be gained. Gillman will make no offer to settle this claim and hopes that you

Christie I sweater while retaining the overall look and feel of the Christie I sweater. In fact, Gillman made the modifications with the idea or goal of retaining the overall look and feel of the Christie I sweater which, as noted above, was a copy of the pattern of the Blanket Stitch sweater except for the colors.

In order to modify the Christie I sweater, William Gillman simply instructed Chang to change the sweater so that it was not the same. He did not elaborate upon this cryptic instruction nor provide Chang with any specific guidance. Chang, who is not a designer,[10] made all of the changes to the Christie I sweater in the course of one evening at home after work. She spent a total. of two to three hours changing the Christie I sweater into the Christie II sweater. In making the modifications, Chang wanted to keep the same overall look and feel of the Christie I sweater. She instituted more then five changes to the Christie I sweater. Specifically, Chang moved certain buttons, changed a row of squares into arrows and added lines of embroidery to a few of the rows. The overall look of the sweater, however, remained substantially the same. In making the Christie II sweater, Chang did not alter the jacquard design of the Christie I sweater. The majority of the patterns in the rows remained unaltered.

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can simply confirm that there will be no further dispute between the parties about a product no longer in circulation.

Statements made in these letters are not considered for the truth of the matter asserted therein. Rather, these statements are used to indicate the wilfulness of Gillman's conduct. Alternatively, when made by Gillman's counsel, these statements constitute admissions of a party-opponent. *See* F.R.E. 801(d) (2).

[10] At the time, Chang had worked at Gillman for more than 16 years, primarily in Taiwan. While working for Gillman in Taiwan, Chang surveyed the market and negotiated prices for fabric. In the process, she learned how to make a sweater. William Gillman testified that he did not ask Smith to modify the Christie I sweater because she was involved in doing something else at the time.

William Gillman approved the modifications which were then sent to Gillman's overseas manufacturers. He testified that he understood that instituting five to seven changes in a garment was sufficient to avoid a copyright infringement claim.[11] The manufacturer sent Gillman a sample sweater which William Gillman, Chang and Smith all approved. The modifications cost Gillman approximately $10,000.

Gillman not only succeeded in its desire to retain the overall look and feel of the Christie I sweater in the Christie II sweater, but in selling the Christie II sweater Gillman did not change its catalogue which pictured the Christie I sweater. Customers ordering a sweater based on the picture of the Christie I sweater in Gillman's catalogue actually received the Christie II sweater.[12] Gillman did not inform the

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[11] This testimony, as well as the testimony of Gillman's expert, is relevant on the issue of the reasonableness of William Gillman's belief that his garments were not infringing and addresses the issue of wilfulness as opposed to the issue of substantial similarity. Gillman's expert testified that designers in the industry generally apply a so-called "five-change rule." By initiating at least five changes to a garment's design, the designer sufficiently advances his or her design to the point where the design no longer looks like the ancestor garment. In testifying to the five-change rule, Gillman's expert explained that designers use the rule so that their design will not look the same as the ancestor garment.

She did not testify that designers use the rule so that their design does not look substantially the same. In addition, Kandrac had never heard of a rule of thumb whereby a manufacturer could avoid copyright infringement by making at least five changes to a garment notwithstanding his six and a half years of experience working at Segrets.

This court finds that the five change rule does not justify William Gillman's conduct which, as noted in the discussion section, this court finds was wilful. His belief that his garments did not infringe Segrets' copyrights was, simply put, neither credible nor reasonable.

[12] The fact that the fall 1994 catalogues had been printed and distributed does not excuse Gillman's conduct which militates in favor of a finding of wilfulness. Both Smith and Chang acknowledged the strong similarities between the Christie I and the Blanket Stitch sweaters with the

customers placing catalogue orders that they would receive the Christie II as opposed to the Christie I sweater. Few, if any, of Gillman's customers complained to Gillman that they did not receive what they ordered. The slight modifications which Gillman made to the Christie I sweater therefore did not alter the overall look and feel of the sweater to the ordinary observer.

Gillman produced and sold the Christie II sweater in three color combinations: black, hazelnut and a reddish brown referred to as Tuscan. Smith generally uses colors which will coordinate with clothing items already in a women's wardrobe.

It is customary in the industry for designers to purchase garments in retail stores, paid for by the designers' employer, and to bring the garments back to work for inspiration in creating new and original designs. Designers commonly examine and use existing garments in the process of creating a new and original design. Garments in the existing marketplace therefore provide inspiration for designers to create new designs. Shopping in retail stores as well as reviewing catalogues also allows designers to anticipate trends in the fashion industry. Designers, including Lightbown, also regularly review new issues of the various fashion magazines, such as *Vogue,* and fashion forecast magazines, such as *Trend Union.*[13] In addition, designers, such as Olsen, may send a garment to an overseas manufacturer in the course of creating a design.

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exception of the differences in color. William Gillman, an officer of Gillman, testified at his deposition that, other than the color, the Christie I and the Blanket Stitch sweaters were virtually identical. Picturing the Christie I sweater to advertise the Christie II sweater without advising customers demonstrates that Gillman itself viewed the Christie II sweater as comparable and substantially similar to the Blanket Stitch sweater.

[13] Likewise, Gillman subscribed to various fashion forecast magazines.

Gillman, however, takes this process a step further. Gillman does not limit the amount of money provided for shopping. At times, Smith will purchase a sweater on a shopping trip and send the sweater to Gillman's overseas manufacturer with instructions for changing the color or texture. Although Smith usually provided Gillman's overseas manufacturer with instructions, she nevertheless acknowledged that sometimes she would send a sweater to the manufacturer and simply tell them to copy the sweater as best they could. Defining the term "knock-off" as taking a more expensive garment and copying it to make a cheaper version, Smith conceded that the Christie I sweater was a knock-off of the Blanket Stitch sweater. Moreover, Smith was aware that designers copyright their designs in the fashion industry.

Copyright tags are usually sewn inside a sweater. Typically, they appear either at the back of the neck or along the inside side seam. Gillman customarily places its copyright label on the neckline. Segrets customarily sews its copyright notification tag along the sweater's inside side seam.

Both the Blanket Stitch and the Primitive Patterns sweaters had copyright notification tags sewn into the inside side seam. This court finds Smith's testimony that she was unaware of the copyright notification tags until "somewhere in the course of this lawsuit" not credible due to her experience in the fashion industry, her constant contact with Gillman's overseas manufacturer, and her extensive use of both sweaters to create the Christie I and the Charro sweaters.[14]

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[14] At one point in her testimony, Smith stated that in 1993 she did not find many copyright labels on sweater vests using jacquard patterns. This testimony therefore infers that she had, in fact, looked for copyright labels.

William Gillman testified that he would look for copyright notification tags in the neckline of garments and that, to his knowledge, Segrets was the only manufacturer which listed copyrights on the inside side seam.

With the exception of the color, the design of the Cnristie I sweater is exactly the same as the design of the Blanket Stitch sweater. The rows in both sweaters reflect the same, identical patterns. Consequently, even though they use different colors, the sweaters are substantially similar as a whole to the ordinary observer.[15]

The design of Christie II sweater is also strikingly similar in its overall look to the design of the Blanket Stitch sweater notwithstanding the difference in color. Although the embroidery differs in places, the sequence of each row and the jacquard patterns throughout the sweaters remain almost identical.[16] To the ordinary observer, the overall look of the Christie II sweater and the Blanket Stitch design embodied in the Blanket Stitch sweater is substantially similar. It is only with a close, line by line inspection that minor variations become apparent. The most visible change appears to a row at the vortex of the V-neck wherein a series of embroidered arrows appear in the Christie II sweater in lieu of a series of rectangles in the Blanket Stitch sweater. The differences in the colors of the two sweaters also emphasize certain

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[15] The district judge previously decided this issue on summary judgment. This court's discussion should not be construed as a revisitation of this issue. Rather, it is helpful in determining the substantial similarity of the Christie II sweater and the Blanket Stitch design due to the similarities between the Christie I and the Christie II sweaters as well as the wilful nature of Gilman's conduct.

[16] Exhibit AA as well as the Christie I and II and the Blanket Stitch sweaters are examples of jacquard patterned sweaters or sweater vests. Jacquard patterns were prevalent in the industry in 1993 and 1994. Although the idea of using a jacquard pattern is not entitled to copyright protection, when a designer designs a particular jacquard pattern and combines it with other jacquard patterns in intricate detail using different or varying stitches with contrasting colors, the designer's own, unique expression of jacquard patterning as a whole is copyrightable. Hence, Lightbown's interpretation or expression of jacquard patterning using various stitches, colors and combinations of rows in the Blanket Stitch design receives copyright protection.

jacquard patterns in one sweater more than in the other sweater.

In short, Gillman produced and sold a sweater which, to the ordinary observer, was substantially similar to the copyrighted Blanket Stitch design. The ordinary observer would recognize the Christie II sweater as appropriated from the Blanket Stitch design. Unless she set out to detect the differences, the ordinary observer would be disposed to overlook them and regard the aesthetic appeal of the Christie II sweater and the Blanket Stitch design as the same. Not only did Gillman engage in this conduct but Gillman continued to sell the Christie II sweater with knowledge of the infringement allegations.[17]

Segrets discovered the Charro sweater after filing suit in October 1994 and thereafter amended the complaint to include a copyright infringement claim based on the Charro sweater. William Gillman first learned of the infringement allegation visa-vis the Charro sweater in the fall of 1994. At that point in time, Gillman was in the process of shipping some of the Charro sweaters to its customers.

Lightbown created the Primitive Patterns design using marled yarns and one or more other garments as inspiration. Like the Blanket Stitch sweater, the Primitive Patterns sweater formed part of a color coordinated line of Segrets clothing which used black, khaki and neutral colors. Olsen chose the colors partly to evoke a primitive or natural as opposed to an artificial feeling. Segrets sold the Primitive Patterns sweater in only one color combination comprising a combination of black and neutral tones.[18]

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[17] See footnote number nine.

[18] As previously discussed, color forms a part of the Primitive Patterns design.

Using the Primitive Patterns design, Segrets obtained a sample sweater embodying the design. Segrets applied for and obtained copyright protection, attaching a color photograph of the Primitive Patterns sweater to the application.

Segrets sold a total of 1,816 of the Primitive Patterns sweaters in the above noted, single color combination in January and February 1994. The wholesale list price was $54 per sweater.

In creating the Charro sweater, Smith initially purchased the Primitive Patterns sweater in early 1994 and took the sweater back to her office. She also purchased other crochet sweaters with a view to developing garments for Gillman's 1994 holiday season.[19] Smith first envisioned and sketched a design for a sweater vest. She subsequently changed her decision and designed a cardigan which evolved into the Charro sweater. Smith also decided to use three color combinations: stone,[20] blue or chambray and turquoise. The stone color combination is strikingly similar to the selected colors in the Primitive Patterns design.

In the spring of 1994 Smith sent the Primitive Patterns sweater to Gillman's overseas manufacturer to use as a model albeit with additional instructions. Smith acknowledges using the Primitive Patterns sweater to create the overall look and the general feel of the Charro sweater. She instructed Gillman's overseas manufacturer to use the Primitive Patterns sweater as a sample for the yarn and the yarn mixes. On the other hand, she also instructed Gillman's overseas manufacturer to change an area of the stitching to give a more open effect. Smith additionally instructed Gillman's overseas

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[19] In contrast, as noted above, Segrets sold its Primitive Patterns sweater in January and February 1994.

[20] According to Smith, the stone color combination was popular at the time she created the Charro sweater.

manufacturer to change certain stitches, color patterns and lengths.

Notwithstanding the changes, the design of the Charro sweater is similar to that of the Primitive Patterns sweater. As noted by Lightbown, both sweaters employ a mixing of yarns and different colors to create a contrast. The particular marling used in the Primitive Patterns sweater is unique to the design. Comparing the Charro and the Primitive Patterns sweaters, a number of the same rows are marled in the same manner.

The Charro and Primitive Patterns sweaters also have similar patterns in each row. The most visible difference, however, is two lines of crochet stitching in the Charro sweater which are absent in the Primitive Patterns sweater. The tightness or openness of the stitching also varies as does the length of the two sweaters. Overall, however, the patterns, stitches and shapes employed in a number of rows are similar. Given the intricate detail and the large number of rows in the Primitive Patterns sweater, such similarities produce an overall similarity between the two sweaters. These and other differences, however, preclude a finding of substantial similarity except with respect to the Charro sweater in the stone color combination.

As argued by Gillman, color correctly forms part of the Primitive Patterns design. The similarities between the colors employed in the Primitive Patterns design and the Charro sweater in the stone color combination are pronounced and striking.

Together with the strong similarity in color, the similarities in the form of marling, the patterns in certain rows and the various stitches create an overall impression of substantial similarity to the ordinary observer. Unless the ordinary observer set out to detect the disparities, she would be disposed to overlook them and regard the aesthetic appeal of

the Charro sweater in the stone color combination and the Primitive Patterns design embodied in the sweater as the same. Furthermore, the overall effect of the Charro sweater in the stone color combination is such that an ordinary observer would recognize the sweater as appropriated from the Primitive Patterns design.

William Gillman testified at his deposition in May 1995,[21] after amendment of the complaint to include infringement based on the Charro sweater, that Gillman planned to continue selling the remaining inventory of the Charro sweaters but was not giving the sweaters to its sales representatives to sell at the present time. Rather, the earliest Gillman planned to resume giving the Charo sweaters to its sales representatives was November 1995. William Gillman thereafter proceeded to sell the Charro "in-house."

Gillman purchased 304 dozen of the Charro sweaters in the following colors: 1,784 sweaters in the chambray color; 1,499 sweaters in the stone color; and 354 sweaters in the turquoise color. Accordingly, the 125 dozen Charro sweaters purchased in the stone color combination comprised approximately 41% of Gillman's total purchase.

Taking a trade discount deduction of $7,833, net sales for the 304 dozen of the Charro sweaters totaled $92,357.[22]

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[21] William Gillman is an officer of Gillman. *See* Fed. R. Civ. P. 32(a)(2)

[22] The above information is taken from financial records offered by Gillman and admitted into evidence at trial. (Ex. I-64-68). Segrets' counsel acknowledged seeing the documents prior to trial.

At various times during the trial, Segrets' counsel complained that it had not received financial information from Gillman. Whether a defendant cooperates in providing financial records is relevant in assessing the amount of statutory damages. *See Video Café, Inc. v. De Tal*, 961 F.Supp. 23, 26 (D.P.R. 1997). Other than allegations at trial and in its pretrial briefs (Docket Entry # 69, p. 7; Docket Entry # 46, p. 12) , Segrets failed to identify any particular document request, unanswered interrogatory or

Roughly estimating net sales of the Charro sweater in the stone color combination as 41% of this figure results in net sales of $37,866.

According to records detailing purchase orders as of July 26, 1995, Gillman had sold approximately 180 dozen of the Charro sweaters in the following colors: 65.11 dozen at an average price of $35.33 in the chambray color; 107.07 dozen at an average price of $31.13 in the stone color; and 7.02 dozen at an average price of $35.74 in the turquoise color.[23] Giliman learned of the infringement allegations vis-a-vis the Charro sweater in the fall of 1994. Requested delivery dates for the Charro sweater in the stone color combination include dates in January and February of 1995, after Gillman had knowledge of its alleged infringement. In addition, the number of Charro sweaters in the stone color combination (107.07 dozen or 1,292 sweaters) sold as of July 26, 1995, falls short of the 1,499 total sweaters in the stone color combination which Gillman purchased. It is therefore reasonable to infer that Gillman continued to sell the Charro sweater in the stone color combination after being notified of its infringing conduct.

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pending motion to compel. At trial, William Gillman simply testified that he did not know whether Gillman produced records of the number of sweaters ordered in response to a document request.

On the other hand, at his deposition, William Gillman refused to answer a question asking for the amount of Gillman's gross yearly revenues. He also refused to quantify Gillman's annual sales volume. Further, he refused to inform Segrets' counsel of the number of Charro sweaters that Gillman had in its inventory at the time of his May 1995 deposition. Gillman also retains receipts for all its sales and its costs. Having considered such evidence and mindful of the purposes for awarding statutory damages, however, this court in its discretion declines to increase the statutory damages based on Gillman's purported lack of cooperation.

[23] These sales occurred prior to the closeout sales at lower prices.

Documents offered into evidence by Gillman reflect a negative net profit on the Charro sweaters of $5,958. The negative net profit figure includes $74,527 in direct costs,[24] a $924 factor fee, $9,515 in commissions for sales representatives and $13,350 in overhead.

Using documents obtained from Gillman during discovery, Segrets presented evidence of 2,376 Charro sweaters sold by Gillman resulting in revenues of $78,568. Other documents viewed by Segrets and offered into evidence by Gillman summarize the above noted 304 dozen Charro sweaters sold, i.e., 3,648 sweaters. Figures for the number of Charro sweaters sold in the former document fall short of the figures in the latter document by 1,272 sweaters. Multiplying the catalogue listed wholesale price of $40 by the 1,272 additionally noted sweaters, Segrets provided evidence of $129,448 in total revenues for the Charro sweater.[25]

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[24] The $74,527 in direct costs includes costs for agent's commissions, direct factory costs, taxes and transportation costs.

[25] The latest requested delivery dates for the 2,376 Charro sweaters is March 1, 1995. (Ex. 18 & 19) . In light of the 194 dozen Charro sweaters sold by August 1995 reflected in exhibit I-2, it is more likely than not that the remaining 1,272 Charro sweaters were sold after the initial season. It is also more likely than not that a number of these Charro sweaters were sold in the stone color combination. As is typical of the industry, garments left over from a previous season are often sold at a discount. Where, as here, approximately one third of the Charro sweaters remained unsold after the holiday season, a typical discount in the industry for such garments would range from 35% to 40%. Accordingly, it would be customary in the industry to sell the remaining 1,272 Charro sweaters for a price of approximately $24. Selling the remaining 1,272 for a price of $24 yields a total revenue of $109,096 ($78,568 + ($24 x 1,272)) which more closely approximates Gillman's $100,190 figure for total revenues (Ex. 1-2), albeit without the trade discount. Taking 41% of the $109,096 figure as roughly approximating the revenue attributable to sale of the Charro sweater in the stone color combination results in revenues of $44,729.

Segrets calculated Gillman's direct costs for the Charro sweater as $74,527. This figure includes transportation costs, direct factory or manufacturing costs to produce the Charro sweater, taxes and agent's commissions. Segrets did not subtract the following items which, as indicated above, Gillman included in the calculations of its expenses: overhead ($13,350);[26] commissions to sales representatives ($9,515); a factor fee or financing cost ($924) ; and a trade discount ($7,833) consisting of an allowance provided to customers.[27]

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[26] Overhead would include employee salaries, such as the salaries of Chang and Smith, the cost of shopping trips by designers such as Smith, and travel to an overseas manufacturer. There was evidence that Segrets' overhead costs constitute 25% of the cost to manufacture an individual item. According to Kandrac, he could not recall any document provided by Gillman which identified the manner of allocating overhead to the production of the Christie II or the Charro sweaters. On the other hand, exhibit 1-3 through 1-5, admitted into evidence, sets forth various items of overhead and apportions the total overhead for the Charro and Christie sweaters based on the percentage of 1994 sales of the Charro and Christie sweaters in relation to the total 1994 sales of the company.

[27] Kandrac excluded overhead from the above calculations because, in his view, it represented a fixed cost incurred by Gillman irrespective of the cost of producing and selling the infringing sweaters. He also excluded commissions for sales representatives because the documents supplied by Gillman to Segrets reflected sales commissions for all of the product sold by a particular sales representative. In other words, the documents did not restrict the amount of the commissions to those commissions incurred from selling the infringing sweaters. Likewise, the documents reflecting the factor fee and trade discount did not restrict the fee as related solely to the infringing sweaters, according to Kandrac. Examining the proffered documents, commissions for the Christie sweater, presumably the Christie II sweater inasmuch as Gillman did not sell the Christie I sweater, are as follows, rounded to the nearest dollar: $1,218, $247, $628, $372, $620, $70, $70, $70 and $730. Total documented commissions for the Christie II sweater therefore amount to $4,025. Examining the proffered documents, commissions for the Charro sweater are as follows, rounded to the nearest dollar: $1,265, $650, $82 and $105. Total documented commissions for the Charro sweater therefore amount to $2,102. (Continued)

Using Segrets' calculations, Gillman's net profit on the Charro sweater totaled $54,921. Forty-one percent of this figure yields an estimated net profit on the Charro sweater in the stone color combination of $22,518.

Gillman purchased 624 dozen of the Christie II sweaters in the following colors: 3,445 sweaters in the hazelnut color; 3,218 sweaters in black; and 824 sweaters in the color referred to as Tuscan. Gillman's financial documents show net sales of $116,127, taking into account a trade discount of $3,164, and a negative net profit of $8,862. The negative net profit results from subtracting direct costs in the amount of $98,362,[28] a factor fee in the amount of $1,161, commissions for sales representatives in the amount of $9, 282 and overhead in the amount of $16,183.

Exhibits I-32, I-35 and I-37 fail to identify the sweater or garment invoiced. Commissions noted in exhibits I-32, I-35 and I-37 were therefore not included in the foregoing list.

In light of Kandrac's testimony and this court's examination of exhibit I, this court, in its discretion, does not find sufficient evidence to demonstrate that the factor fee and trade discount costs relate to the Christie II and Charro sweaters in the stone color combination. Nor is there any indication that the $9,515 commissions to sales representatives for the Charro sweater or the $2,102 in documented sales commissions for the Charro sweater relate to sales of the Charro sweater in the stone color combination. *See In Design v. Lauren Knitwear Corporation*, 782 F.Supp. 824, 832 (S.D.N.Y. 1991) (noting, albeit with respect to section 504 (b) , that "defendant can deduct only those costs which it proves were related to the infringing work") . Thus, the court in *Lauren* excluded yarn costs contained in certain invoices because "Lauren failed to establish that the yarn reflected in the invoices was actually used to make the infringing sweaters." *In Design v. Lauren Knitwear Corporation*, 782 F.Supp. at 833-834 & n. 19 (also rejecting summary of costs based on weight as insufficient)

[28] This figure, supplied by Gillman, improperly includes $10,000 in redesign costs incurred by Gillman in redesigning the Christie I sweater into the Christie II sweater. The figure also includes direct factory costs, taxes, transportation costs and agent s commissions.

Using documents obtained from Gillman during discovery, Segrets presented evidence of 3,462 Christie II sweaters sold by Gillman resulting in revenues of $62,755. Other documents viewed by Segrets and offered into evidence by Giliman summarize the above noted 624 dozen sold of the Christie II sweaters, i.e., 7,488 sweaters. Figures for the number of Christie II sweaters sold in the former document fall short of the figures in the latter document by 4,026 sweaters. Multiplying the catalogue listed wholesale price of $20 by the 4,026 additionally noted sweaters, Segrets provided evidence of $143,275 in total revenues for the Christie II sweater.[29]

Excluding the redesign costs, Segrets calculated Gillman's direct costs for the Christie II sweater as $87,730. This figure includes transportation costs, direct factory costs to produce the Christie II sweater, taxes and agent's commissions. Segrets did not subtract the following items which, as indicated above, Gillman included in the calculations of its expenses: overhead ($16,183); commissions to sales representatives ($9,282);[30] a factor fee or financing cost ($1,161); and a trade discount ($3,164) consisting of an allowance provided to customers.[31] Using Segrets'

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[29] With respect to the 3,462 figure of Christie II sweaters, Kandrac did not account for 2,814 Christie II sweaters sold to J.C. Penney for a price of $15 yielding a total sale of $42,210. Gillman's largest customer for the Christie II sweater was J.C. Penney. Although the documents detailing the J.C. Penney sales do not refer by name to the Christie II sweater they identify the color as hazel, one of the three color combinations of the Christie II sweater, and the customer as J.C. Penney.

[30] Commissions paid to sales representatives typically range between three to seven percent.

[31] This court does not find sufficient evidence to demonstrate that the factor fee and trade discount costs relate to the Christie II sweater. Adequately documented commissions total $4,025. *See* footnote number 30.

calculations, Gillman's net profit on the Christie II sweater totaled $55,545.

Segrets sells its sweaters primarily at the wholesale level to specialty stores and retailers such as Nordstrom or Macy's. Unlike Giliman, Segrets does not sell its clothing to mass merchandisers in the price range of stores such as J.C. Penney. Lightbown, however, testified that she saw both Gillman and Segrets sweaters advertised in the same catalogue. Kandrac also testified that Segrets and Gillman had between 80 to 100 shared customers. In addition, he produced a list of 90 shared customers. For example, Gillman's sales documentation evidences sales of the Charro sweater to both Nordstrom and Orvis, two of Segrets' customers.

Gillman, a family business located in Cincinnati with an estimated 40 employees, sells its sweaters throughout the world, including the United States. In the early 1990s, Gillman sold to small specialty stores and moderate department stores such as J.C. Penney. Gillman's gross revenues for the past two fiscal years average approximately $19,500,000. In 1994 Gillman's gross revenues totaled approximately $15,000,000. There is little, if any, admissible evidence, however, that Gillman's sales of the Christie II sweater and the Charro sweater in the stone color combination negatively effected Segrets' sales of the Blanket Stitch and the Primitive Patterns sweaters.[32]

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[32] As Kandrac explained, it is difficult and impractical for Segrets to determine the sales Segrets lost as a result of Gillman's sales of the Christie II and the Charro sweaters. *See Lauratex Textile Corporation v. Ailton Knitting Mills. Inc.*, 519 F.Supp. 730, 732 (S.D.N.Y. 1981) (recognizing difficulty of estimating "what the plaintiff's sales would have been had there been no infringement"). Kandrac also testified that selling copies of Segrets sweaters dilutes its brand name irrespective of whether Segrets was selling the original sweaters at the time.

DISCUSSION

Section 106 of Title 17 gives a copyright owner a number of "exclusive rights," subject to limitations contained in sections 107 through 118. *Stewart* v. *Abend*, 495 U.S. 207, 220 & n. 3 (1990) (copyright author holds "bundle of exclusive rights" set forth in section 106). Segrets' exclusive rights include the right to distribute the Blanket Stitch and Primitive Patterns designs to the public for sale. 17 U.S.C. § 106(3). Segrets also has the exclusive right to copy the designs and to incorporate the designs into derivative works. 17 U.S.C. §106(1) & (2); *Stewart v. Abend*, 495 U.S. at 220 & 221-224.

To enforce these rights, section 501 authorizes "a cause of action for any infringement." 17 U.S.C. § 501(b); *Motta v. Samuel Weiser. Inc.*, 768 F.2d 481, 843-4 (1st Cir.) (quoting statute), *cert. denied*, 474 U.S. 1033 (1985). Sections 502 through 505 delineate a number of remedies including statutory damages, which vary in the maximum amount depending on the wilfulness of the infringement, and attorneys' fees. 17 U.S.C. §§ 502-505.

In order to prevail on a copyright infringement claim, the "plaintiff must show two elements: (1) ownership of a valid copyright and (2) copying of the protected work by the alleged infringer." *Grubb v. KMS Patriots, L.P.*, 88 F.3d 1, 6 (1st Cir. 1996); *accord Feist Publications, Inc. v. Rural Telephone Service Company*, 499 U.S. 340, 361 (1991) (copyright infringement requires establishing " (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original"). The district judge already decided that Segrets owns valid copyrights in the Blanket Stitch and the Primitive Patterns designs. This court finds no reason to revisit this previously decided issue.

The second element is twofold. Initially, "'a plaintiff must first prove that the alleged infringer copied plaintiff's

copyrighted work as a factual matter.'" *CMM Cable Reps Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d 1504, 1513 (1st Cir. 1996) (quoting *Lotus Development Corporation v. Borland International, Inc.*, 49 F.3d 807, 813 (1st Cir. 1995), *aff'g*, 516 U.S. 233 (1996)) . In order to accomplish this, a plaintiff may " 'either present direct evidence of factual copying or, if that is unavailable,' " as is typically the case, evidence "'that the alleged infringer had access to the copyrighted work and that the offending and copyrighted works are so similar that the court may infer that there was factual copying (i.e., probative similarity).' " *CMM Cable Rep, Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d at 1513 (quoting *Lotus Development Corporation v. Borland International, Inc.*, 49 F.3d at 813). Dissection usually takes place at this juncture[33]

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[33] Dissection entails identifying those aspects in the copyrighted work which constitute the protected expression as distinguished from unprotected ideas or facts. *See Concrete Machinery, Inc . v. Classic Lawn Ornaments , Inc.*, 843 F . 2d 600, 608 (1st Cir. 1988). It is axiomatic that copyright law extends only to the expression of an idea as opposed to the idea itself. 17 U.S.C. § 102(b) . Consequently, " 'infringement is shown by a substantial similarity of *protectible expression*, not just an overall similarity between the works.' " *CMM Cable Rep, Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d at 1514. In a general way, therefore, dissection allows the court to determine "those aspects of the work that are protected by the copyright and that should he considered in the subsequent comparative analysis under the ordinary observer test." *Concrete Machinery Company, Inc . v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608.

Dissection is also useful because the court can "focus on whether and to what extent the idea is capable of various modes of expression." *Concrete Machinery Company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608. The burden of establishing near identity versus a lesser degree of similarity will depend upon whether the idea in the copyrighted work is capable of a limited as opposed to a more infinite number of ways of being expressed. *See Concrete Machinery Company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608.

Finally, dissection involves examining the accused work and comparing it with the identified and protected features in the copyrighted

and expert testimony is permissible. *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 608 (1st Cir. 1988).

Again, the district judge decided this issue of actual copying of both the Blanket Stitch design and the Primitive Patterns design. In this respect, he expressly concluded that the Christie I and II and the Charro sweaters produced by Gillman resulted from actual copying of Segrets' copyrighted sweaters. In the course of rendering the finding of actual or factual copying, the district judge also dissected the copyrighted works. This court finds no adequate basis to disturb or revisit these findings.

I. *Substantial Similarity*

Second, the plaintiff must establish substantial similarity i.e., "that the copying of copyrighted material was so extensive that it rendered the offending and copyrighted works substantially similar." *Lotus Development Corporation v. Borland International, Inc.*, 49 F.3d at 813; *accord CMM Cable Rep, Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d at 1513. "Under this second step of the analysis, therefore, the trier of fact applies the 'ordinary observer' test, unaided by expert testimony, to determine whether the copying resulted in substantial similarity between the works." *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608.

Furthermore, it is the substantial similarity of the protectable expression which determines actionable copying as opposed to the overall similarity between the two works. *CMM Cable Rep, Inc. v. Ocean Coast Properties, Inc.*, 97

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work. "By dissecting the accused work and identifying those features which are protected in the copyrighted work, the court may be able to determine as a matter of law whether or not the former has copied protected aspects of the latter.' " *Concrete Machinery Company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608.

F.3d at 1514. In applying the ordinary observer test, therefore, the court ignores any substantial similarity or commonality between the two works in the ideas they embody. Accordingly, the idea of creating a sweater in a southwestern design as well as in a jacquard pattern lies outside the realm of copyright protection. The expression of the idea of creating a sweater patterned with a southwestern feel or look, however, is protected. Thus, Segrets' selection and arrangement of particular patterns placed in rows of colors using particular stitches in the Blanket Stitch and the Primitive Patterns designs receives copyright protection and is considered in the course of applying the ordinary observer test.[34]

The burden of proof required for a plaintiff to establish substantial similarity will vary depending upon the number of ways in which the idea at issue can be expressed. Where the idea can only be expressed in a limited number of ways, "the burden of proof is heavy on the plaintiff who may have to show 'near identity' between the works at issue." *Concrete Machinery Company, Inc . v . Classic Lawn Ornaments, Inc.*, 843 F.2d at 606-607. Conversely, when the idea is capable of being expressed in "an infinite variety of ways," the plaintiff will bear a lighter burden inasmuch as "duplication or near identity" between the works is not required to establish infringement. *Concrete Machinery Company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 607. The "test of appropriation" therefore varies depending on the "amount of creativity in [the] copyrighted work." *Concrete Machinery Company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at

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[34] More explicitly, it is the arrangement and placement of the stitches and patterns into rows of various sizes and widths as opposed to the actual use of a particular stitch which receives protection. *See, e.g., Odegard, Inc. v. Classic Carpets, Inc.*, 963 F.Supp. 1328, 1339 (S.D.N.Y. 1997) ("' [h]eart' and 'S' shaped motifs are too common to be themselves protectable, although the individualized expression of these elements on the 'Chaklo' carpet and the selection and arrangement is protectable")

607 (paraphrasing *Universal Athletic Sales Company v. Salkeld*, 511 F.2d 904, 908 (3rd Cir.), *cert. denied*, 423 U.S. 863 (1975)). In the case at bar, there is an infinite number of ways to express the idea of creating a sweater with a southwestern look, a jacquard pattern or a sweater with a natural or primitive look. *See e.g., Cofre, Inc. v. Limited*, 1991 WL 40366 at *3 (S.D.N.Y. March 15, 1991) (noting "there is an infinite number of styles and designs that can be made into a garment for children"). Hence, near identity between the copyrighted designs and the Christie II and Charro sweaters is not required.

The often quoted formulation of the ordinary observer test was initially made by Judge Learned Hand in *Peter Pan Fabrics, Inc. v. Martin Weiner Corporation*, 274 F.2d 487, 489 (2d Cir. 1960), a copyright infringement case involving an ornamental design printed upon cloth. Quoted with approval by the First Circuit in *Concrete Machinery*, Judge Hand's formulation views two works as "substantially similar if 'the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.'" *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 607 (quoting *Peter Pan Fabrics, Inc. v. Martin Weiner Corporation*, 274 F.2d at 489).

The other formulation of the test quoted by the First Circuit in *Concrete Machinery* " 'is whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectible expression by taking material of substance and value.' " *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 607 (quoting *Educational Testing Services v. Katzman*, 793 F.2d 533, 541 (3d Cir. 1986)); *accord Skinder-Strauss Associates v. Massachusetts Continuing Legal Education, Inc.*, 914 F.Supp. 665, 672-673 (D.Mass. 1995); *see also Knitwaves, Inc. v.*

Lollytogs Limited, 71 F.3d 996, 1002 (2d Cir. 1995) (summarizing ordinary observer test in a case involving copyrighted sweater designs as both Judge Hand's formulation and as whether the lay observer would recognize the accused work as appropriated from the copyrighted work). Cases involving copyrighted sweater or fabric designs employ Judge Hand's, formulation, *see, e g., Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F.Supp. 1328, 1338 (S.D.N.Y. 1997); *Kenbrooke Fabrics, Inc. v. Holland Fabrics, Inc.*, 602 F.Supp. 151, 154 (S.D.N.Y. 1984), the formulation of the average lay person recognizing the copy as unlawfully appropriated from the copyrighted work, *see, e.g., In Design v. Lauren Knitwear Corporation*, 782 F.Supp. 824, 830 (S.D.N.Y. 1991) , or simply cite to both formulations, *see, e.g., The Prince Group v. MTS Products*, 967 F.Supp. 121, 126 (S.D.N.Y. 1997); *In Design v. Lynch Knitting Mills, Inc.*, 689 F.Supp. 176, 179 (S.D.N.Y.), *aff'g*, 863 F.2d 45 (2d Cir. 1988).[35]

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[35] The latter two cases also applied the formulations by having the ordinary observer examine the garments from a distance of five to ten feet. *The Prince Group v. MTS Products*, 967 F.Supp. at 126; *In Design v. Lynch Knitting Mills, Inc.*, 689 F.Supp. at 179. "Examining the sweaters at a distance of five to ten feet, and looking at them not with a view to analyzing their design components but simply to comparing the aesthetic impressions that they give, I am unable to conclude that the ordinary observer would overlook the differences if they were not pointed out to her, or would recognize the design of the [accused] sweater as having been appropriated from the [copyrighted] one." *In Design v. Lynch Knitting Mills, Inc.*, 689 F.Supp. at 179.

Significantly, the court in *The Prince Group* further noted, in the context of determining infringement of a fabric design such as in the case at bar, that, "'certain factors are to be given consideration in determining similarity, including (1) size of the elements, (2) pattern, (3) *color* and (4) repetition.' " *The Prince Group v. MTS Products*, 967 F.Supp. at 126 (emphasis added) . Likewise, the court in *Knitwaves* viewed color as a consideration in applying the ordinary observer test and determining the substantial similarity of the protected expressions in the copyrighted

As noted by the district judge, these formulations essentially connote the same standard. (Docket Entry # 65, p. 10). In either event, applying both formulations this court reaches the same conclusion and, thus, need not decide whether one or the other formulation is more apropos to the case at bar.

In addition, " 'The *sine qua non* of the ordinary observer test is the overall similarities rather than the minute differences between the two works.' " *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 608; *accord Knitwaves, Inc. v. Lollytogs Limited*, 71 F.3d at 1003 (examining the copyrighted sweater design and the accused work's "'total concept and feel' "); *see also Little Souls, Inc. v. Les Petits*, 789 F.Supp. 56, 59 (D.Mass. 1992) (finding no substantial similarity inasmuch as the accused "dolls do not share the look and feel which distinguishes the [copyrighted] dolls"). Thus, in *Knitwaves*, the court, viewing the sweaters in the eyes of "the average consumer of these sweaters," recognized that the differences in the sweaters did "little to lessen the viewer's overwhelming impression that the two [accused] sweaters are appropriations of the [copyrighted] sweaters." *Knitwaves, Inc. v. Lollytogs Limited*, 71 F.3d at 1004-1005.

At the outset, the parties sharply disagree as to whether color formed part of the copyrighted designs and whether color should be considered in determining substantial similarity. As previously explained, however, color forms part of the Blanket Stitch and the Primtive Patterns designs.

Furthermore, in applying the ordinary observer test, it is important to "consider the uses for which the design is intended, especially the scrutiny that observers will give to it as used." *Peter Pan Fabrics, Inc. v. Martin Weiner*

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sweater vis-a-vis the accused sweaters. *Knitwaves, Inc. v. Lollytogs Limited*, 71 F.3d at 1004-1005.

Corporation, 274 F.2d at 489; *In Design v. Lynch Knitting Mills, Inc.*, 689 F.Supp. at 179 (quoting *Peter Pan Fabrics, Inc. v. Martin Weiner Corporation*, 274 F.2d at 489); *see, e.g., Atari, Inc. v. North American Philips Consumer Electronics Corporation*, 672 F.2d 607, 619 (7th Cir.) (noting that video games, unlike an artist's painting, "appeal to an audience that is fairly undiscriminating insofar as their concern for the more subtle differences in artistic expression") , *cert. denied*, 459 U.S. 880 (1982). Color to the female user of the copyrighted designs incorporated into the Primitive Patterns and the Blanket Stitch sweaters is something she will scrutinize in determining if the color in the sweaters complements her clothing. Additionally, both the Blanket Stitch and the Primitive Patterns designs were intended to accompany a color coordinated line of clothing.

This court's conclusion to view the selected color scheme as a component of the protectable expression in the Blanket Stitch and the Primitive Patterns designs is not without foundation in case law. *See Knitwaves, Inc. v. Lollytogs Limited*, 71 F.3d at 1004 (noting that Knitwaves' original contribution to copyrighted sweaters' designs consists of coordinating the design elements "with a 'fall' pallette of colors and with a 'shadow striped' . . . or a four-paneled background[] and . . . arranging all the design elements and colors into an original pattern for each sweater") ; *Eden Toys, Inc. v. Marshall Field & Company*, 675 F.2d 498, 500-501 (2d Cir. 1982) (noting differences as well as similarities in color of features such as eyes and items such as buttons and scarfs on two snowmen in course of affirming finding that two snowmen were not substantially similar) ; *Soptra Fabrics Corporation v. Stafford Knitting Mills, Inc.*, 490 F.2d 1092, 1094 (2d Cir. 1974) ("color schemes were not to be entirely overlooked") ; *Peter Pan Fabrics, Inc. v. Martin Weiner Corporation*, 274 F.2d at 489 (noting, in course of applying ordinary observer test, that "[b]oth designs have the same general color"); *The Prince Group v. MTS Products*, 967

F.Supp. at 126 (copyrighted design substantially similar to accused design in part because "color scheme is similar") ; *Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F.Supp. at 1338 (" '[a]sterisk' motifs, their arrangement, and the choice of color schemes are protectable elements" of copyrighted carpet design); *Cranston Print Works Company v. California Dimensions, Inc.*, 1990 WL 33580 at * 2-3 (S.D.N.Y. March 22, 1990) (collecting cases wherein color considered in determining substantial similarity of fabric designs) ; *Heyman v. Salle*, 743 F.Supp. 190, 193 (S.D.N.Y. 1989) (noting that differences in color as well as other elements precluded summary judgment finding of substantial similarity); *Lauratex Textile Corporation v. Allton Knitting Mills, Inc.*, 519 F.Supp. 730, 731 (S.D.N.Y. 1981) ("lines, shapes and *colors* of the fabric designs . . . are the same;" emphasis added); *Couleur International Limited v. Opulent Fabrics, Inc.*, 330 F.Supp. 152, 154 (S.D.N.Y. 1971) ("defendant's fabrics of colors identical to plaintiff's is . . . another factor leading to the conclusion that the aesthetic appeal of the fabrics is the same").

As these cases demonstrate, color may in certain situations constitute part of a copyrighted design and can therefore serve to support a finding of substantial similarity, see, *e.g.*, *Saban Entertainment, Inc. v. 222 World Corporation*, 865 F.Supp. 1047, 1051-1052 (S.D.N.Y. 1994), as well as a finding of no substantial similarity, *see, e.g., Kitchens of Sara Lee, Inc. v. Nifty Foods corporation*, 266 F.2d 541, 545 (2d Cir. 1959); see *generally* Ann *Howard Designs, L.P. v. Southern Frills, Inc.*, 992 F.Supp. 688, (S.D.N.Y. 1998) (finding substantial similarity but noting differences in color).

Language to the contrary by the First Circuit in *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 610, quoting *Novelty Textile Mills, Inc. v. Joan Fabrics Corporation*, 558 F.2d 1090, 1094 n. 6 (2d Cir. 1977), is distinguishable. First, the quoted language, to wit, " 'mere

changes in the color scheme on the copied design would ordinarily not protect the defendant from a claim of copyright infringement,' " *Concrete Machinery, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d at 610, is, when viewed in its original context, actually only the "writer's view" as opposed to a finding by the three judge panel. *Novelty Textile Mills, Inc. v. Joan Fabrics Corporation*, 558 F.2d at 1094 n. 6. Second, the quoted language in *Concrete Machinery* is dicta set forth in a string citation of cases. Third, the language is not couched in mandatory terms. Thus, it is only "ordinarily" as opposed to "always" that mere color changes will not preclude a substantial similarity finding.

In addition to color, courts examining the protected expression of copyrighted fabric or sweater designs and the accused works also compare similarities in: the arrangement and spacing of design elements, *The Prince Group v. MTS Products*, 967 F.Supp. at 126; *In Design v. Lynch Knitting Mills, Inc.*, 689 F.Supp. at 179 (size, shape and orientation of design elements in two sweaters differed thereby rendering a different overall appearance) the use and placement of particular patterns such as floral borders, *Kenbrooke Fabrics, Inc. v. Holland Fabrics, Inc.*, 602 F.Supp. 151, 154 n. 2 (S.D.N.Y. 1984); the application of a motif such as a felt squirrel stitched to the sweaters' surface, *Knitwaves, Inc. v. Lollytogs Limited*, 71 F.3d at 1004; the size of the elements, the choice of pattern and the repetitions, *The Prince Group v. MTS Products*, 967 F.Supp. at 126; *see also Peter Pan Fabrics, Inc. v. Martin Weiner Corporation*, 274 F.2d at 489 (noting that color scheme "and the arches, scrolls, rows of symbols, etc. on one resemble those on the other") ; and the combination of certain elements and their placement in rows such as the use of triangle elements with parallel lines repeating in rows of different colors, *In Design v. Lauren Knitwear Corporation*, 782 F.Supp. at 831.

In the case at bar, the ordinary observer, viewing the protectable expression in the Blanket Stitch design, would inevitably conclude that Gillman unlawfully appropriated the protected design. In other words, the ordinary observer would recognize the Christie II sweater, in each of its color combinations, as having been appropriated from the protectable expression in the Blanket Stitch design. The differences in the color combinations do not, in this instance, avoid a finding of substantial similarity. The slight changes in the embroidery, the use of arrows as opposed to rectangles in one row and the placement and number of certain buttons do not obviate the fact that the overall similarities of the protectable expressions in the copyrighted Blanket Stitch design and the Christie II sweater are substantially similar. The arrangement of the rows, the patterns within each row, the choice of a straight line or of a line of triangles, the size of the triangles, the width of the rows and the stitches employed are almost identical in the Blanket Stitch design and the Christie II sweater. The ordinary observer, unless she set out to detect these disparities and minor differences, would be disposed to overlook them and regard the aesthetic appeal as the same.

In contrast, the variations in the stitching, the marling of the yarn and the arrangement of the particular rows in the Primitive Patterns design and the Charro sweater are more pronounced.[36] In contrast to the Primitive Patterns design, the Charro sweater uses two large rows of open stitching not found in the Primitive Patterns design. The analogous row of open stitching in the Primitive Patterns design uses a different stitch to generate a more open and delicate look. The color combinations of the turquoise and chambray Charro sweaters also contrast sharply to the color combination used in the Primitive Patterns design. Moreover, the colors serve to

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[36] As indicated *supra*, however, the similarities are not altogether absent.

enhance the differences in the patterns and stitches chosen and arranged in the rows. Viewed overall, the ordinary observer would regard the aesthetic appeal of the Charro sweater in the turquoise and chambray color combinations as distinct and not the same as the Primitive Patterns design.

On the other hand, a number of the rows in the Primitive Patterns design and the Charro sweater employ identical stitching arranged in the same manner and in the same width. In addition, the stone color combination in the Charro sweater and the selected colors in the Primitive Patterns design are strikingly similar. The differences in detail do not lessen the overall impression that the Charro sweater in the stone color combination is an appropriation of the protectable expression in the Primitive Patterns design. As in *Knitwaves*, much of this impression is conveyed by the similar color schemes. *See Knitwaves, Inc. v. Lollytags, Limited*, 71 F.3d at 1004-1005. For these and other reasons, the ordinary observer, viewing the protectable expression in the Primitive Patterns design embodied in the Segrets' sweater and the Charro sweater in the stone color combination from a distance of five to ten feet, would consider their aesthetic appeal as the same. It is the choice of color taken together with the similarities in the selection and arrangement of the patterns and the stitches used in the various rows which create, overall, the same aesthetic appeal to the ordinary observer. In addition, the ordinary observer would recognize the Charro sweater in the stone color combination as having been appropriated from the protectable expression in the Primitive Patterns design. Near identity is not required. In short, Segrets met its burden of proof of showing that the Charro sweater in the stone color combination and the protectable expression in the Primitive Patterns design are substantially similar under the ordinary observer test.

As a final matter, Gillman submits that Segrets' failure to offer into evidence the Blanket Stitch sweater prevents this

court from making the necessary side by side comparison required to determine the substantial similarity of the fabric design and the Christie II sweater. Gillman contends that Segrets' omission violates Rule 1002, F.R.E., and is therefore fatal to its claim under Count I for copyright infringement of the Blanket Stitch design.

Under Rule 1003, F.R.E., however, "A duplicate is admissible to the same extent as an original unless (1) a genuine issue is raised as to the authenticity of the original or (2) in the circumstances it would be unfair to admit the duplicate in lieu of the original." F.R.E. 1003. Rule 1001(4), F.R.E., defines a duplicate as "a counterpart produced . . . by means of photography . . . ."

The color photographs of the Blanket Stitch design accurately depict the design in complete detail. Consideration of the photographs in lieu of the Blanket Stitch sweater is not unfair. The color photographs of the front and the back of the Blanket Stitch sweater fully and accurately depict the design such that Gillman is not prejudiced by use of the photographs to determine substantial similiarity. *See generally* 6 Jack B. Weinstein & Margaret A. Berger *Weinstein's Federal Evidence* § 1003.04[2] (1998) (discussing types of unfairness which create sufficient risk of prejudice to preclude admission of duplicate). Contrary to Gillman's argument, the photographs provided a meaningful opportunity for this court to determine substantial similarity. Accordingly, in such circumstances it is permissible to admit the photograph in lieu of the contents of the photograph, i.e., the Blanket Stitch sweater. *see, e.g., United States v. Stockton*, 968 F.2d 715, 719 (8th Cir. 1992) (photographs of papers seized from residence properly admitted as duplicates to prove contents of papers) ; *United States v. Patten*, 826 F.2d 198, 199 (2d Cir.) (photographs of stolen checks in prosecution for posession of stolen checks properly admitted as duplicates) , *cert. denied*, 484 U.S. 968 (1987).

Furthermore, this court doubts whether the Blanket Stitch design constitutes a writing, recording or equivalent thereof within the meaning of Rule 1001(1), F.R.E. Even assuming that the Blanket Stitch sweater constitutes an original writing, recording or equivalent thereof within the meaning of Rule 1001(1), F.R.E., however, the facts in the case at bar do not implicate the concerns of the best evidence rule.[37] Gillman's reliance on *Seiler v. Lucasfilm*, 808 F.2d 1316 (9th Cir. 1986), *cert. denied*, 484 U.S. 826 (1987), is distinguishable on this basis. See *Takeall v. Pepsico, Inc.*, 809 F.Supp. 19, 20-21 (D.Md. 1992) (distinguishing *Seiler* due to absence of evidence that party destroyed orginal in bad faith), *aff'g*, 14 F.3d 596 (4th Cir. 1993), *cert. denied*, 512 U.S. 1236 (1994); *Data General Corporation v. Grumman Systems Support Corporation*, 803 F.Supp. 487, 491 (D.Mass. 1992) (distinguishing *Seiler*, in part, because "there is no suggestion that Data General has destroyed evidence or has acted in bad faith"), *aff'g*, 36 F.3d 1147 (1st Cir. 1994) There is no evidence that Segrets purposefully destroyed the original sweaters in bad faith. Indeed, this court had ample opportunity to view the Blanket Stitch sweater at trial.[38] For these and other reasons, this court had a meaningful opportunity to determine substantial similarity and Rule 1002, F.R.E., does not manadate the admission of the Blanket Stitch sweater as opposed to the admission of the photographic duplicates.

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[37] Rule 1002, F.R.E., is generally considered "a conventional restatement of the so-called best evidence rule." *Allstate Insurance Company v. Swann*, 27 F.3d 1539, 1543 (11th Cir. 1994) (internal quotation marks omitted).

[38] The opportunity of Segrets, Gillman and this court to view and examine the Blanket Stitch sweater at trial militates against a finding of unfairness. *See generally* 6 Jack B. Weinstein & Margaret A. Berger *Weinstein's Federal Evidence* § 1003.04[4] (1998).

II. *Wilfulness and Statutory Damages*

In lieu of establishing actual damages and profits, Segrets elected to recover statutory damages. Due to the oftentimes elusive nature of establishing actual damages, "Congress expressly provided copyright owners with the option of pursuing statutory damages." *Marvin Music Company v. BHC Limited Partnership*, 830 F.Supp. 651, 656 (D.Mass. 1993). As amended, section 504 (c) (1) of the Copyright Act permits an award of statutory damages "with respect to any one work . . . in a sum of not less than $500 or more than $20,000 as the court considers just." 17 U.S.C. § 504 (c) (1). The Copyright Act therefore shifted the unit of damages recoverable under the Copyright Act of 1909 from a calculation based on each infringement to a calculation based on each work infringed. *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106, 1116 (1st Cir. 1993). In light of this court's finding of infringement of the copyrighted Blanket Stitch design and the copyrighted Primitive Patterns design, Segrets is entitled to two awards of statutory damages based on each of these infringed works.[39]

In addition, in the event Segrets sustains its burden of proving that Giliman's "infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000." 17 U.S.C. § 504(c)(2) . Conversely, where Gillman sustains its burden that it "was not aware and had no reason to believe that [its] acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200." 17 U.S.C. § 504(c) (2). In order to receive the lowered minimum of $200, the infringer must prove both a subjective good faith belief as well as an objectively reasonable good faith belief. *Childress*

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[39] Thus, contrary to Segrets' proposed findings, it is not necessary to separate the findings of wilfulness as to the Christie I sweater versus the Christie II sweater.

v. Taylor, 798 F.Supp. 981, 994 (S.D.N.Y. 1992); *see generally* 4 Melville B. Nimmer & David Nimmer *Nimmer on Copyright* § 14.04[B][2][a] (1998).

Gillman fails to sustain its burden. Moreover, in light of section 401(d) of the Copyright Act, the statutory minimum does not apply at least with respect to the Primitive Patterns sweater wherein the copyright notice, affixed to give reasonable notice, contains the required year of publication.[40] *See Langman Fabrics v. Samsung America, Inc.*, 967 F.Supp. 131, 135 (S.D.N.Y. 1997) (fabric designs are considered "writings" requiring year of first publication to comply with section 401(b)(2)). Finally, due to the wilfulness of Gillman's conduct, this court would not assess damages below the $500 minimum thereby rendering moot the issue of the applicability of the reduced statutory minimum amount of $200.

With respect to the statutory maximum, Segrets met its burden of establishing wilfulness both with respect to the Blanket Stitch and the Primitive Patterns copyrighted works. Wilfulness within the meaning of section 50427 (c) exists "if a defendant knew that his or her actions constituted an infringement." *Peer International Corporation v. Luna Records, Inc.*, 887 F.Supp. 560, 568 (S.D.N.Y. 1995); *accord Twin Peaks Productions, Inc. v. Publications International, Limited*, 996 F.2d 1366, 1382 ("standard is simply whether the defendant had knowledge that its conduct represented

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[40] 43 Section 401(d) provides that;

> If a notice of copyright in the form and position specified by this section appears on the published copy or copies to which a defendant had access, then no weight shall be given to such a defendant's interposition of a defense based on innocent infringement in mitigation of actual or statutory damages, except as provided in the last sentence of section 504(c)

17 U.S.C. § 401(d).

infringement or perhaps recklessly disregarded the possibility");[41] *Central Point Software, Inc. v. Global Software & Accessories*, 880 F.Supp. 957, 967 (E.D.N.Y. 1995); *see* 4 Melville B. Nimmer & David Nimmer *Nimmer on Copyright* § 14.04[B] [3] (1998) ("'willfully' means with knowledge that the defendant's conduct constitutes copyright infringement"). An infringer's conduct may infer such knowledge. *See Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F.Supp. at 1341 ("[k]nowledge of infringement can be constructive rather than actual, and can be inferred from the infringer's conduct"); *Peer International Corporation v. Luna Records, Inc.*, 887 F.Supp. at 568.

Turning to the Blanket Stitch design, Gillman's Christie I sweater was an exact copy of the copyrighted work except for the color.[42] *See Kenbrooke Fabrics, Inc. v. Holland Fabrics, Inc.*, 602 F.Supp. at 155 ("high degree of similarity between the two designs" served as basis for finding of wilfulness). Gillman purchased the Blanket Stitch sweater which had an affixed copyright notice along the inside side seam. Segrets notified Gillman by letter of its infringing conduct both with respect to the Christie I and the Christie II sweaters. Segrets repeatedly informed Gillman by letter that continued sales of the Christie II sweater would constitute wilful infringement subjecting Gillman to increased damages. Notwithstanding such notice, Gillman continued to sell the Christie II sweater. "[E]vidence that notice had been accorded to the alleged infringer before the specific acts found to have constituted infringement occurred is perhaps the most persuasive evidence of willfulness." *Video Views, Inc. v. Studio 21,*

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[41] Because this court finds ample evidence that Gillman acted with knowledge that its conduct was an infringement, this court does not rely on the standard of recklessness to support an enhanced statutory award and the amount of such an award.

[42] As previously noted, Segrets has the exclusive right to copy the Blanket Stitch design and to incorporate the design into derivative works.

Limited, 925 F.2d 1010, 1021 (7th Cir.), *cert. denied*, 502 U.S. 861 (1991).

Any alleged belief on the part of Gillman that its conduct was not infringing was not made in good faith and was not objectively reasonable. Gillman itself sold the Christie II sweater through a catalogue picturing the Christie I sweater. Nor did it advise customers of the discrepancy. Such conduct implies that Gillman viewed the Christie II sweater as substantially similar to the Christie I sweater, a sweater which Gillman knew was an exact copy of the Blanket Stitch design albeit with the exception of its color. Customers did not complain when Gillman shipped them the Christie II sweater in lieu of the pictured Christie I sweater thereby further evidencing to Gillman the substantial similarity of the two sweaters.

Although Gillman made certain changes to the Christie I sweater, it nevertheless succeeded in its desire to retain the overall look and feel of the Christie I sweater in the Christie II sweater. *see Knitwaves, Inc. v. Lollytogs, Limited*, 71 F.3d at 1011 (infringer's "admission that it set out to create designs having the same 'look' and 'feel' as Knitwaves' sweaters" supported finding of wilfulness). William Gillman, who, according to Chang, even negotiated pennies, would not have expended the approximate $10,000 to change the Christie I sweater unless he viewed it as an infringement of the Blanket Stitch design. The similarities between the Blanket Stitch design and the Christie I sweater are also readily apparent such that any reasonable fact finder would view them as substantially similar.

Finally, Gillman purchased the Blanket Stitch sweater and sent it to its overseas manufacturer to use as a model for the Christie I and the Christie II sweaters. Chang's revisions to the Christie I sweater, approved by William Gillman, did not materially or even significantly alter the overall design of the Christie I sweater.

In sum, this court finds that Gillman intentionally and wilfully copied the Blanket Stitch design. It acted with knowledge that its conduct constituted an infringement of Segrets' copyrighted design.

Gillman also acted wilfully with respect to the Primitive Patterns copyrighted work. First and foremost, Segrets notified Gillman of the infringement yet Gillman proceeded to sell the Charro sweaters in house. See *Video Views, Inc. v. Studio 21, Limited*, 925 F.2d at 1020-1021. The Charro sweater in the stone color combination is strikingly similar to the Primitive Patterns design. Gillman's continued sales of the substantially similar Charro sweater in the stone color combination after Segrets notified Gillman of its infringing conduct[43] provides evidence that it knew that its conduct constituted copyright infringement.

Gillman's actions were not in good faith or objectively reasonable. Smith purchased the Primitive Patterns sweater with the copyright notice affixed to the inside side seam. Her extensive use of the sweater to create the Charro sweater and her constant contact with Gillman's overseas manufacturer infer that she knew of the copyright notice notwithstanding her testimony to the contrary. She then proceeded to use identical stitches arranged in rows of the same width and, in places, the same marling together with virtually the same color combination as in the copyrighted Primitive Patterns sweater. She also sent this sweater to Gillman's overseas manufacturer as a sample. Furthermore, William Gillman's testimony intimating that Smith independently created the Charro sweater because he saw her drawing the pattern from a book and thus did not believe that the Charro sweater violated the Primitive Patterns copyright was not credible. See *Odegani, Inc. v. Costikyan Classic Carpets, Inc.*, 963

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[43] William Gillman testified that he became aware of Segrets' copyright infringement claim with respect to the Charro sweater in the fall of 1994.

F.Supp. at 1341 (the defendants' testimony of independent creation "not credible" thereby justifying finding of wilfulness)

This court therefore concludes that Gillman intentionally and wilfully copied the Primitive Patterns design in the Charro sweater in the stone color combination. As with the Blanket Stitch design, Gillman acted with knowledge that its conduct constituted an infringement of the protectable expression in Segrets' copyrighted design.

In sum, the allowable statutory maximum is increased to $100,000 with respect to each copyrighted work.

The precise amount of statutory damages within the range of $500 to $100,000 lies within this court's discretion. *See Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Company, Inc.*, 74 F.3d 488, 496 (4th Cir.) (jury "given broad discretion to award up to $100,000 for each work copied" if presented with evidence of wilfulness), *cert. denied*, U.S., 117 S.Ct. 53 (1996); *Lauratex Textile Corporation v . Allton Knitting Mills, Inc.*, 519 F.Supp. at 733 (court has "broad discretionary power" to make statutory damages award). The amount of an award, however, should "further the objectives of the Copyright Act, namely, to compensate copyright owners for a past infringement and to deter future infringement." *Warner Brothers, Inc. v. Dae Rim Trading, Inc.*, 677 F.Supp. 740, 769 (S.D.N.Y. 1988) , *aff'g* in *part and rev'd in part on other grounds*, 877 F.2d 1120 (2d Cir. 1989); *Video Café, Inc. v. De Tal*, 961 F.Supp. 23, 26 (D.P.R. 1997) (noting statutory damages award serves "both compensatory and punitive purposes"); *Lauratex Textile Corporation v. Allton Knitting Mills, Inc.*, 519 F.Supp. at 733 (courts have discretion to make statutory damages award to serve dual purpose of Copyright Act "to compensate copyright owners and to provide deterrent for would-be infringers")

In addition to the foregoing, relevant factors to consider include: "(1) expenses saved and profits reaped by the defendant, (2) revenues lost by the plaintiffs, (3) the deterrent value of the award, and (4) whether the infringement was wilful or innocent." [44] *Polygram International Publishing, Inc. v. Nevada/TIG, Inc.*, 855 F.Supp. 1314, 1335 (D.Mass. 1994); *accord Warner Brothers, Inc., v. Dae Rim Trading, Inc.*, 677 F.Supp. at 769 (citing same factors); *Major Bob Music v. Stubbs*, 851 F.Supp. 475, 481 (S.D.Ga. 1994).

The absence of an injury to Segrets or significant profits to Gillman, however, does not necessarily preclude a statutory award "to sanction and vindicate the statutory policy." *F.W. Woolworth Company v. Contemporary Arts, Inc.*, 344 U.S. 228, 225 (1955); *see e.g., Odegard, Inc. v. Costikyan Classic Carpet, Inc.*, 963 F.Supp. at 1341 (statutory award of $25,000 appropriate notwithstanding absence of lost profits by the plaintiffs or financial benefits to the defendant).

> A rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct. The discretion of the court is wide enough to permit a resort to statutory damages for such purposes. Even for uninjurious and. unprofitable invasions of copyright the court may, if it deems just, impose a liability within the statutory limits to sanction and vindicate the statutory policy.

F.W. Woolworth Company v. Contemporary Arts, Inc., 344 U.S. at 225.

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[44] See footnote number 25.

In the case at bar, the deterrent value of an award and the wilfulness of the violations justify a statutory award notwithstanding the minimal amount of Gillman's profits and the absence of revenues lost by Segrets. *See Marvin Music Company v. BHC Limited Partnership*, 830 F.Supp. 651, 656 (D.Mass. 1993) ("courts often consider two factors—the award's deterrent value and the wilful nature of defendants' infringement"); *International Korwin Corporation v. Kowlalczyk*, 665 F.Supp. 652, 658 (N.D.Ill. 1987) ("court should primarily focus upon two factors: the willfulness of the defendant's conduct, and the deterrent value of the sanction imposed"), *aff'g*, 855 F.2d 375 (7th Cir. 1988); *see, e.g., Lauratex Textile Corporation v. Allton Knitting Mills, Inc.*, 519 F.Supp. at 733 (awarding $40,000 statutory damages under prior § 504(c) (2) where maximum award for wilful infringement was $50,000, even though actual damages were only $5,177, due to the defendant's wilfulness).

As previously noted, Gillman wilfully violated the copyright laws, in part, by continuing to sell the Christie II sweater and the Charro sweater in the stone color combination after being notified that its conduct was infringing Segrets' copyrighted Blanket Stitch and Primitive Patterns designs. In addition to this and other previously described wilfulness, Gillman repeated its infringing conduct when it set out to copy and sell the Charro sweater in the stone color combination. This repetitious conduct at a time when Gillman was already engaged in copyright infringement litigation with the same party over the Christie I and II sweaters evidences that Gillman wilfully and intentionally ignored the copyright laws.[45]

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[45] Even if this court considered the excluded evidence of another lawsuit, such evidence would not result in a different award in light of the already existing repetitious behavior.

Gillman's attitude that it could succeed in avoiding responsibility for its infringing conduct is further exemplified by its attempts to discourage Segrets from proceeding forward with this lawsuit. In May 1994 Gillman refused to comply with Segrets' reasonable request to view a copy of the redesigned Christie I sweater before Gillman began selling the potentially infringing sweater. In fact, Gillman characterized any agreement on the part of Gillman to provide Segrets with a sample of the Christie II sweater as a possible violation of the antitrust laws. In August 1994 Gillman's counsel described Segrets' attempt to pursue its infringement claim as "frivolous and sanctionable" even though the Christie II sweater differed in only minor respects from the Blanket Stitch design. One month later, Gillman's counsel warned Segrets' counsel that "Segrets' cost of litigating these claims are likely to far exceed any potential benefit that might be gained" and that "Gillman will make no offer to settle this claim." Taken together, these efforts appear designed to discourage Segrets from enforcing its rights in an effort to avoid compliance with the copyright laws. "[C]ourts have repeatedly emphasized that defendants must not be able to sneer in the face of copyright owners and copyright laws. Rather, defendants must 'be put on notice that it costs less to obey the copyright laws than to violate them.' " *International Korwin Corporation v. Kowalczyk*, 665 F.Supp. at 659; *see also Video Views; Inc. v. Studio 21, Limited*, 925 F.2d at 1021 ("[i]ncreased statutory damages may be necessary in a particular case to prove that it 'costs less to obey the copyright laws than to violate them'").

Statutory damages should nevertheless "bear some relationship to actual damages suffered."[46] *Peer International*

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[46] Any evidence of revenues lost by Segrets was not convincing. Although Segrets and Gillman had an overlapping customer base, this court finds that Gillman primarily sold garments to lower end retail stores at different times. Gillman also sold the Christie II sweater and the Charro

Corporation v. Luna Records, Inc., 887 F.Supp. 560, 568 (S.D.N.Y. 1995); *RSO Records, Inc. v. Pen*, 596 F.Supp. 849, 862 (S.D.N.Y. 1984) ("assessed statutory damages should bear some relation to actual damages suffered"). It is also true that statutory damages are "not intended to provide the plaintiff with a windfall recovery." *Warner Brothers, Inc., v. Dae Rim Trading, Inc.*, 677 F.Supp. at 769.

Gillman adequately documented its overhead expenses. Although Gillman did not provide original receipts or invoices for all of the underlying expenses, it nevertheless provided a summary which this court has no reason to believe was inaccurate.[47] Gillman's expenses and costs must, of course, relate to the infringing work. *In Design v. Lauren Knitwear Corporation*, 782 F.Supp. 824, 832 (S.D.N.Y. 1991) (involving calculation of the defendant's profits under section 504 (b)). Stated otherwise, "Overhead which does not assist in the production of the infringement should not be credited to the infringer." *Sammons v. Colonial Press, Inc.*, 126 F.2d 341, 349 (1st Cir. 1942) (involving calculation of actual damages under prior statute). Gillman's suggested means of calculating overhead in proportion to the number of infringing sales versus the percentage of total sales is an acceptable method for estimating overhead costs.[48] *See*

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sweater in the stone color combination at lower wholesale prices. Accordingly, this court focuses upon Gillman's profits and any expenses saved.

[47] At trial Segrets objected to the admission of exhibits 1-1 and 1-2 solely on the basis that Segrets asked for financial information which was never produced even though Segrets' counsel acknowledged that he had seen exhibit 1-1 prior to trial. Hearing no other basis for an objection at the time, this court admitted the exhibits.

[48] Inasmuch as Segrets did not challenge Gillman's approach on the basis that the percentage of infringing sweaters was minuscule in comparison to Gillman's total business, this court will not address this argument *sua sponte*. As a collateral matter, William Gillman testified that exhibit I was a business record. (Day II, p. 114). Segrets' objection

Sammons v. Colonial Press Inc., 126 F.2d at 349; *Dolori Fabrics, Inc. v. The Limited, Inc.*, 662 F.Supp. 1147, 1356 (S.D.N.Y. 1987). Overhead therefore totaled approximately $16,183 for the Christie I and II sweaters and approximately $5,474 (41% x $13,350) for the Charro sweater in the stone color combination.

As previously explained,[49] however, adequately documented commissions for the Christie II sweater total $4,025 as opposed to the $9,282 sought by Gillman. The evidence also fails to distinguish between commissions for sales of the Charro sweater in the stone color combination versus the Charro sweater in other color combinations. Excluding factor fees and trade discounts for the Christie II sweater,[50] this court finds Gillman's profits for the Christie II sweater include net sales of $119,291, direct costs of $88,362 ($98,362 minus the $10,000 redesign cost), commissions of $4,025 and overhead of $16,183. Net profit for the Christie II sweater therefore totals $10,721.

Excluding factor fees, trade discounts and inadequately documented sales commissions,[51] this court finds Gillman's profits for the Charro sweater include net sales of $100,190, direct costs of $74,527 and overhead of $13,350. Using these figures yields a net profit for the Charro sweater in an amount of $12,313. Roughly estimating the net profit attributable to the sale of the Charro sweater in the stone color combination as 41% of this figure results in a net profit on the infringing sales of the Charro sweater in an amount of $5,048.

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that "there was no foundation provided by Mr. Gillman that these [referring to exhibit I] were all business records" and that he "simply referred to certain of the records" (Day III, p. 33) is therefore misplaced.

[49] See footnote number 30.

[50] See footnote number 30.

[51] See footnote number 30.

A statutory award limited to the total of Gillman's profits, however, would not deter future infringing conduct on the part of Gillman or others. In addition, Gillman's wilfulness also justifies a statutory award in excess of Gillman's profits. This court, in its discretion, therefore finds a statutory damages award of $37,000 with respect to the copyrighted Blanket Stitch work and $30,000 with respect to the copyrighted Primitive Patterns work resulting in a total award of $67,000 appropriate.[52]

III. *Attorneys' Fees*

Section 505 of the Act permits an award of reasonable attorneys' fees to prevailing parties not as a matter of course but, rather, "only as a matter of the court's discretion." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994); *Knitwaves, Inc. v. Lollytogs, Limited*, 71 F.3d at 1011 ("[a]ttorney's fees are not to be awarded automatically to a prevailing party . . . but 'only as a matter of the court's discretion'"); *Peer International Corporation v. Luna Records, Inc.*, 887 F.Supp. at 570 (quoting *Fogerty*). Segrets achieved a high degree of success in this case and, unquestionably, is a prevailing party within the meaning of section 505.

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[52] The greater amount of statutory damages awarded for infringement of the copyrighted Blanket Stitch work is due, in part, to the larger amount of Gillman's net profit.

As a separate matter, Segrets' amended complaint does not expressly request an award of prejudgment interest. Likewise, Segrets' proposed findings do not mention prejudgement interest and limit the requested relief to statutory damages and attorneys' fees. Because statutory damages and attorneys' fees are sufficient to serve the legitimate goals of the Copyright Act, an award of prejudgement interest is unnecessary. *See In Design v. Lauren Knitwear Corporation*, 782 F.Supp. at 837 (denying prejudgment interest where the plaintiff's recovery provided adequate compensation for the plaintiff and sufficient deterrence to the defendants thereby serving goals of the Copyright Act.)

This court's equitable discretion should be exercised "with the goal of vindicating the overriding purpose of the Copyright Act: to encourage the production of original literary, artistic, and musical expression for the public good." *Lotus Development Corporation v. Borland International, Inc.*, 140 F.3d 70, 72-73 (1st Cir. 1998) (discussing *Fogerty*). The Court in *Fogerty* also identified the following list of noninclusive factors for courts to consider: " 'frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in some cases to advance considerations of compensation and deterrence.' " *Fogerty v. Fantasy, Inc.*, 510 U.S. at 534 a. 19 (quoting *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)).

In light of the wilfulness of Gillman's infringement and the need to deter Gillman and others from future infringement, an award of reasonable attorneys' fees to Segrets is appropriate. *See, e.g., Peer International Corporation v. Luna Records, Inc.*, 887 F.Supp. at 570 (noting factors cited in *Fogerty* and awarding fees due to finding of wilful infringement continuing for months after initiation of the action and the need to deter the defendants from future infringement); *A & M Records, Inc. v. Abdallah*, 948 F.Supp. 1449, 1460 (C.D.Cal. 1996) (awarding fees to deter others from violating the Copyright Act).

In addition, Gillman's claim that the Christie I and II sweaters did not infringe the Blanket Stitch design was objectively unreasonable. The Christie I sweater was an exact copy of the Blanket Stitch design except for the color. The Christie II sweater differed from the original sweater in only minor respects. *Cf. Roeslin, III v. District of Columbia*, 921 F.Supp. 793, 300 (D.C. 1995) (noting that "[t]he defendant did not act unreasonably in defending this case" as a basis for not awarding the plaintiff fees).

An award of a reasonable attorneys' fee in this case also serves the goal of encouraging parties to litigate meritorious infringement claims. *See Fogerty v. Fantasy, Inc.*, 510 U.S. at 527. Segrets' claims of infringement are, without doubt, meritorious.

An award of a reasonable attorneys' fees is therefore proper. This court emphasizes, however, that the fee amount must be reasonable. In addition, Segrets should fully document its fees. *See Video Café, Inc. v. De Tal*, 961 F.Supp. 23, 27-28 (D.P.R. 1997; (denying attorneys' fee award due to lack of documentation).

Absent a stipulation as to the amount, Segrets should file an affidavit detailing and documenting the amount of its attorneys' fees, as well as a motion and supporting brief requesting the amount sought and setting forth the law with respect to the calculation of such a fee. Absent a stipulation, Gillman will be responsible for the attorneys' fees necessary for Segrets to justify the reasonableness of the amount of its fee request. In its request, Segrets should therefore include the amount of attorneys' fees spent in preparing the motion, supporting brief, the affidavit and any additional, supporting documentation.

CONCLUSION

In sum, Segrets is entitled to $37,000 in statutory damages under Count I and $30,000 in statutory damages under Count II. Attorneys' fees are appropriate and, absent a stipulation or agreement between the parties, Segrets shall submit adequate documentation for a reasonable attorneys' fee award on or

before September 21, 1998, and advise this court as to the status of counts III through VI on or before August 21, 1998.

/s/ Marianne B. Bowler
MARIANNE B. BOWLER
United States Magistrate Judge

APPENDIX E

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

C.A. No. 94-12015-MLW

SEGRETS, INC,
Plaintiff,

v.

GILLMAN KNITWEAR COMPANY, INC.,
Defendant.

MEMORANDUM AND ORDER

WOLF, D.J. October 17, 1997

The following is a memorandum based upon the transcript of the decision rendered orally on September 26, 1996, allowing in part and denying in part the plaintiff's motion for summary judgment and denying the defendant's motion for partial summary judgment. This memorandum adds citations, deletes some colloquy, and clarifies some language.

I. INTRODUCTION

Plaintiff Segrets, Inc. ("Segrets") filed this action against defendant Gillman Knitwear Co. ("Gillman") on October 6, 1994, alleging multiple violations of 17 U.S.C. § 101 *et seq.*, (the federal Copyright Act) and 15 U.S.C. § 1125 (a) (the Lanham Act), arising from defendant's conduct. Specifically, Segrets alleges in its amended complaint that Gillman produced and distributed sweaters embodying designs copied and/or derived from Segrets designs, infringing on Segrets'

registered copyrights (Counts I and II) and creating a likelihood of consumer confusion as to the source of the sweaters (Counts III-VI). Segrets has moved for summary judgment on its Copyright Act claims only (Counts I and II.).[1] Gillman in its response has in turn moved for partial summary judgment. For the reasons described below, defendant's motion is being denied, and plaintiff's motion is being allowed in part and denied in part.

II. SUMMARY JUDGMENT STANDARD

There are cross-motions for summary judgment. The parties recognize that the court must decide whether there are any material facts genuinely in dispute. Fed. R. Civ. P. 56(c). A material fact is one that might affect the outcome of the case. *Anderson v. Liberty Lobby*, 477 U.S. 242, 247-48 (1986). There must be admissible evidence sufficient for a reasonable fact finder to find for the party opposing the motion for summary judgment to place a material fact genuinely in duspute. *Id., see also Mendina-Munoz v. R.J. Reynolds Tobacco Co.*, 896 F. 2d 5, 8 (1st Cir. 1990). Given that this is a motion for summary judgment, the court must "look at the record in the light most favorable to the party opposing the motion and must indulge all inferences favorable to that party." *Stephanischen v. Merchants Despatch Transp. Corp.*, 722 F.2d 922, 928 (1st Cir. 1983).

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[1] In response to this court's Order dated September 6, 1996, counsel for Segrets indicated that the Lanham Act counts were not referenced in Segrets' motion for summary judgment because "the damages available as a result of Defendant's violations of certain sections of the Lanham Act are largely duplicative of those available as a result of Defendant's violations of the Copyright Act." Counsel for Segrets further indicated that in the event this court granted Segrets' motion for summary judgment, Segrets would waive its Lanham Act claims.

III. FACTS

With regard to the relevant facts, the following are not in dispute unless otherwise noted. Plaintiff Segrets designs, manufactures, and markets women's clothing. Among the fabric designs Segrets produces are the Blanket Stitch Vest Design No. 736033 (the "Blanket Stitch Design"), and the Primitive Patterns Cardigan No. 126134 (the "Primitive Patterns Design"), each of which is incorporated into a sweater of the same name. Each of the designs is registered with the United States Copyright Office. Amended Complaint ("AC"), Exhibits C, D.

Defendant Gillman also designs, manufactures, and markets women's clothing. Gillman admittedly engages in the practice of creating designer knock-offs, imitations of designer clothes which aim to capture the look and feel of the original at a bargain price. Dep. Theresa, Ex. J. to Pl.'s Mem. Supp. Summ. J.

In early 1994, Segrets learned that Gillman was preparing to sell a sweater embodying a design similar to the Blanket Stitch design. The sweater appeared in retail catalogs carrying Gillman's products under the name of Christie. AC, Ex. E (the "Christie I"). Segrets notified Gillman in March 1994 that it considered its Christie I design to be infringing. After receiving notice from Segrets and before any Christie I sweaters had been sold, Gillman made several changes in the design of its sweater. According to Gillman, it subsequently sold approximately 7,000 sweaters embodying the modified design. Ex. I to Def.'s Mem. Opp. Summ. J. (the "Christie II"). Segrets notified Gillman on August 15, 1994, and again on August 29, 1994, that it viewed the Christie II as continued infringement. Segrets filed its original complaint on October 6, 1994, alleging in Count I that Gillman willfully violated Segrets' exclusive rights under the Copyright Act by creating and distributing unauthorized copies and/or derivative designs based on its Blanket Stitch design.

In December 1994, Segrets became aware that Gillman was preparing to sell another sweater, the "Charro," incorporating a design similar to Segrets' Primitive Patterns design. Gillman marketed the Charro commencing in the fall of 1994. Segrets notified Gillman on December 14, 1994, that it viewed the Charro design as infringing. An amended complaint was filed on January 30, 1995, adding another count asserting copyright infringement based upon Gillman's alleged copying of the Primitive Patterns design.

IV. DISCUSSION

1. *Standard for Copyright Infringement*

With regard to the applicable standard for establishing copyright infringement, the plaintiff must prove, first, ownership of a valid copyright, and second, that the defendant copied "constituent elements of the work that are original." *Feist Publications v. Rural Telephone Service Company*, 499 U.S. 340, 361 (1991). To satisfy the second prong of the test as stated by the Supreme Court in the *Feist* case, the plaintiff must prove what the First Circuit Court of Appeals regards as "actionable copying."

Under the standard set forth by the First Circuit in *Concrete Machinery company, Inc. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 606 (1st Cir. 1988), actionable copying has two elements. First, it is necessary that the plaintiff prove actual copying. That can be established either by direct evidence or by proof that the defendant had access to the copyrighted work and the defendant's product is so similar to the plaintiff's that actual copying may be inferred. *Grubb v KMS Patriots, L.P.*, 88 F. 3d 1, 3 (1st Cir. 1996). Among other things, to determine whether there are sufficient similarities to justify a finding of actual copying, the court should "dissect" the plaintiff's and the defendant's products. Expert evidence is admissible at this step of the analysis. *Concrete Machinery*, 843 F.2d at 608.

Once actual copying is established, the plaintiff must also prove that it was so extensive that the defendant's product is "substantially similar" to the plaintiff's. *Id.* This is judged by the "ordinary observer" test, without any dissection of the items in question or reference to expert testimony. *Id*

The fact that, contrary to plaintiff's contention, there is this second prong, the court derives from the First Circuit's opinion in *Concrete Machinery*. There the First Circuit adopted the two-part test for "actionable copying" set out by the Second Circuit in *Arnstein v. Porter*, 154 F2d 464, 468 (2d Cir. 1946). Pursuant to that test, a court must first determine whether there was copying and second, once copying is established, the court must determine whether the copying is "sufficiently substantial to constitute 'unlawful appropriation' " or illicit copying. *Concrete Machinery*, 843 F.2d at 608. "That is, copying only trivial aspects of the work will not result in substantial similarity; it is only when the copying is sufficiently extensive that infringement occurs." *Id.*

2. *Validity of Segrets' Copyrights*

The plaintiff is entitled to summary judgment on the validity of its copyright in both of its sweater designs. As the parties recognize, fabric designs are protectable under copyright law. *Knitwaves. Inc. v. Lollytogs Ltd., Inc.*, 71 F.3d 996, 1002 (2d Cir. 1995) . To prove a valid copyright, the plaintiff must prove that the work as a whole is original. In this case, the plaintiff holds a certificate of copyright registration for each sweater design. The certificates are *prima facie* evidence of copyrightability and validity. Accordingly, the defendant has the burden of demonstrating why the copyright is not valid. *Lotus Development Corporation v. Borland International. Inc.*, 49 F.3d 807, 813 (1st Cir. 1995), *aff.'d by an equally divided court*, 116 S.Ct. 804 (1996).

Looking at the evidence in the light most favorable to the defendant, the court concludes that a reasonable fact-finder would have to find that the Blanket Stitch and Primitive Patterns Designs are original and, therefore, copyrightable. It is true as the defendant contends that plaintiff's designer, Dorian Lightbown, acknowledged that she consulted certain books in developing each design. More specifically, she consulted a book entitled *Navaho Textiles* in designing the Blanket Stitch Design and another book entitled *Harmony Guide to Crocheting Techniques and Stitches* in creating the Primitive Patterns Design. It is also true that she drew certain elements and motifs from each of the books she consulted and that there are other designers who have also drawn on those elements and motifs.

However, as the Supreme Court held in Feist, the requirements for originality are not onerous.

> Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works) , and that it possesses at least some minimal degree of creativity. . . To be sure, the requisite level of creativity is extremely low; even a small amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, 'no matter how crude, humble or obvious.'

499 U.S. at 345 (citations omitted). Indeed, "any 'distinguishable variation' of a prior work will constitute sufficient originality to support a copyright if such variation is the product of the author's independent efforts, and is more than merely trivial. "1 Nimmer § 2.01(B]; *see also Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951).

Taken as a whole, neither of Segrets' designs is sufficiently similar to any of the designs proffered as exhibits to the Gillman submissions to permit a reasonable factfinder to fail

to find originality. The exhibits taken from the *Navaho Textiles* and *Harmony Guide* show at most that certain elements and motifs in the public domain bear some similarity to elements and motifs in both Segrets' designs. The same holds true for the sweater designs which Gillman includes as Exhibit F and I to its memorandum in opposition to plaintiff's motion for summary judgment. Even if these separate elements were identical to those incorporated into Segrets' designs, however, Ms. Lightbown's particular selection and arrangement of the elements in creating her complex designs still provides the requisite creativity to satisfy the originality requirement.

For the same reason, the affidavit of defendant's expert Ms. Voelker-Ferrier, pointing out that the Blanket Stitch and Primitive Patterns sweaters include well-known stitches and familiar motifs, also fails to place in genuine dispute the originality of the designs. Segrets has not alleged that its copyright extends to particular stitches and motifs. It claims originality only in its total designs. Gillman and its expert produce no evidence that previous works have incorporated these constituent elements in exactly or substantially the same way as Segrets' designs. *See In Design v. Lynch Knitting Mills., Inc.*, 689 F.Supp. 176, 177 (S.D.N.Y. 1988) (holding that expert's contention that design was "a mere variation of a standard argyle pattern" did not defeat originality where plaintiff's design clearly was not a "copy" of any of the examples of such patterns introduced in evidence).

In addition, Gillman fails to raise a genuine issue as to the credibility of Ms. Lightbown's testimony that the designs were her own. "(S)pecific facts must be produced in order to put credibility in issue so as to preclude summary judgment." 10A Wright, Miller & Kane, *Federal Practice and Procedure* § 2726 at 119 (2d ed. 1983).

3. *Actual Copying*

Segrets is also entitled to summary judgment on the issue of whether the defendant actually copied both its Blanket Stitch and Primitive Patterns Designs. The defendant admits that it had both access to the plaintiff's sweaters and a reasonable opportunity to copy them. The defendant's designer, Julie Smith, acknowledges that she bought both Segrets sweaters. It is also undisputed that she sent the Segrets sweaters to Gillman's overseas manufacturers to serve as models, and that the Christie I produced by those manufacturers was "virtually identical" to the Blanket Stitch save for differences in color. In addition, it is undisputed that the defendant's Charro design was, on Smith's instruction, manufactured to capture the "general overall look" of the Primitive Patterns sweater.

In addition, there are sufficient articulable similarities to require a finding of actual copying. The court has considered the expert evidence proffered by the parties and dissected the sweater designs at issue. As a reasonable factfinder, the court must conclude that the Christie I and II and the Charro produced by Gillman resulted from actual copying of the plaintiff's copyrighted sweaters. *Concrete Machinery*, 843 F.2d at 608. *See also Novelty Textile Mills v. Joan Fabrics Corporation*, 558 F.2d 1090, 1093 n.4 (2d Cir. 1977); *Atari, Inc. v. North Am. Philips Consumer Elecs. Corp.*, 672 F.2d 607 (7th Cir. 1982) (finding superficial differences to be an attempt to disguise intentional appropriation) , *cert. denied*, 459 U.S. 880 (1982).

4. *Actionable Copying*

As indicated earlier, under the two-part test articulated by the First Circuit, the finding that the defendant engaged in actual copying does not end the inquiry. Rather the court must still decide if the defendant's sweaters are sufficiently

similar to the plaintiff's to find the copying actionable . The question at this point is whether "the ordinary observer unless he set out to detect disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same." That is the iteration of the standard provided by Judge Learned Hand in *Peter Pan Fabrics. Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960), which was cited with approval in *Concrete Machinery*, 843 F.2d at 607.

There are other formulations of essentially the same standard in cases such as *In Design v. Lynch Knitting Mills Inc.*, 689 F. Supp. at 179 (describing test for substantial similarity of sweater designs to be whether ordinary observer, examining sweaters at a distance and comparing them for overall aesthetic impression, would recognize the infringing design as having been appropriated from the copyrighted design); *Ideal Toy Corporation v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966) (describing test as "whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work"); *Costello Erdlen & Co. v. Winslow, King. Richards & Company*, 797 F.Supp. 1054, 1064 (D.Mass. 1992) (same).

As indicated earlier, on this issue the First Circuit teaches that expert testimony is not necessary or deemed appropriate. *Concrete Machinery*, 843 F.2d at 608. The proper standard is that of the ordinary observer, relying on common sense and experience. That a trained expert in fashion would detect differences in design is irrelevant if the ordinary observer would perceive the two designs as substantially the same. *See Little Souls. Inc. v. Les Petits*, 789 F.Supp. 56, 57 (D.Mass. 1992); *Peter Pan Fabrics*, 274 F.2d at 489 (court should give weight to "the scrutiny that observers will give it as used"); *Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.* 490 F.2d 1092, 1093 (2d Cir. 1974) (where designs were to be used in dresses, "small differences between the designs might be found to exist under courtroom scrutiny [but] would fade

away" when seen as an ordinary consumer of dresses would view them).

The plaintiff has emphasized that Ms. Smith on behalf of Gillman sought the look and feel of the plaintiff's sweaters. That, however, does not alone establish substantial similarity for the purposes of summary judgment.

The plaintiff is entitled to summary judgment on the issue of substantial similarity concerning the Christie I sweater, as the design would have to strike any reasonable observer as identical to that of the Blanket Stitch. This is not surprising because the defendant sent the plaintiff's sweater to its manufacturer to be copied. Only the colors are different, and in this case mere color variation does not qualify the conclusion that substantial similarity exists, given the identity of the complex patterns in the two designs. *See Novelty Textile Mills, Inc. v. Joan Fabrics Corporation*, 558 F.2d at 1094 n.6 (stating that "once a copyrighted design is found to have been copied, mere changes in the color scheme would ordinarily not protect the defendant from a claim of infringement"); *Cofre Inc. v. Lollytogs, Ltd.*, No. 88 Civ. 9130 (SWK), 1991 WL 40366 (S.D.N.Y. Mar. 15, 1991) (granting summary judgment for plaintiff on substantial similarity where defendant's garments duplicated plaintiff's designs except for color changes and minor differences in detailing).

With regard to the Christie II and Charro designs, however, summary judgment is not appropriate. There are numerous, although perhaps minor, variations of detail and color between the Blanket Stitch and the Christie II. There are also differences of color, of detail, and of stitching between the Primitive Patterns and the Charro. The court must, at this point, look at the facts in the light most favorable to the defendant. Doing so, the court concludes that reasonable minds might differ on the issue of substantial similarity with regard to the Christie II and the Charro designs. Accordingly,

plaintiff's motion for summary judgment must be denied on this issue with regard to those two designs.

5. *Other Issues*

The issue of willfulness is not amenable to resolution on summary judgment. In addition, the court is denying the motion for summary judgment on the questions of damages, attorney fees, and whether a permanent injunction barring future infringement is appropriate.

V. ORDER

For the foregoing reasons, it is hereby ORDERED that:

1. On Count I of Segrets' complaint summary judgment for Segrets is ALLOWED in part and DENIED in part. Specifically, summary judgment is ALLOWED on the issues of the validity of Segrets' copyright in the Blanket Stitch Design; Gillman's actual copying of the Blanket Stitch Design in its Christie I and Christie II sweaters; and the substantial similarity of Gillman's Christie I sweater to the Blanket Stitch Design. Summary judgment for Segrets is DENIED on the issues of the substantial similarity of the Christie II sweater to the Blanket Stitch Design, the willfulness of Gillman's infringing conduct concerning the Christie I, and damages and other aspects of an appropriate remedy.

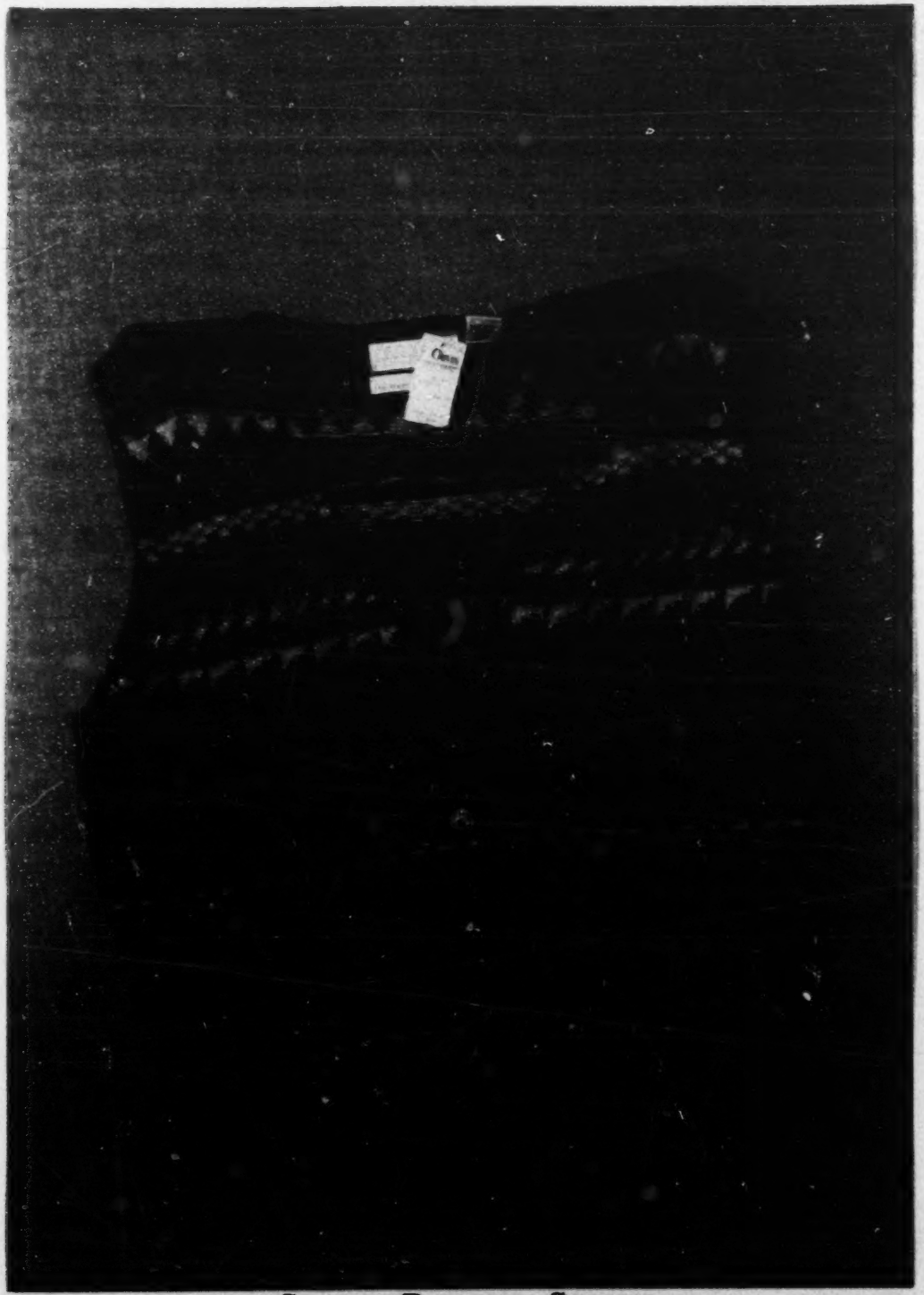
2. On Count II of Segrets' complaint, summary judgment is ALLOWED in part and DENIED in part. Specifically, summary judgment is ALLOWED on the issues of the validity of Segrets' copyright in the Primitive Patterns Design and Gillman's actual copying of the Primitive Patterns Design in its Charro cardigan. Summary judgment for Segrets is DENIED on the issues of the substantial similarity of the Charro cardigan to the Primitive Patterns Design, the willfulness of any infringement which may later be proven, and damages and any other aspect of an appropriate remedy.

3. Gillman's cros-motion for summary judgment is DENIED.

/s/ Illegible

UNITES STATES DISTRICT JUDGE

APPENDIX F



SEGRET-BLANKET STITCH

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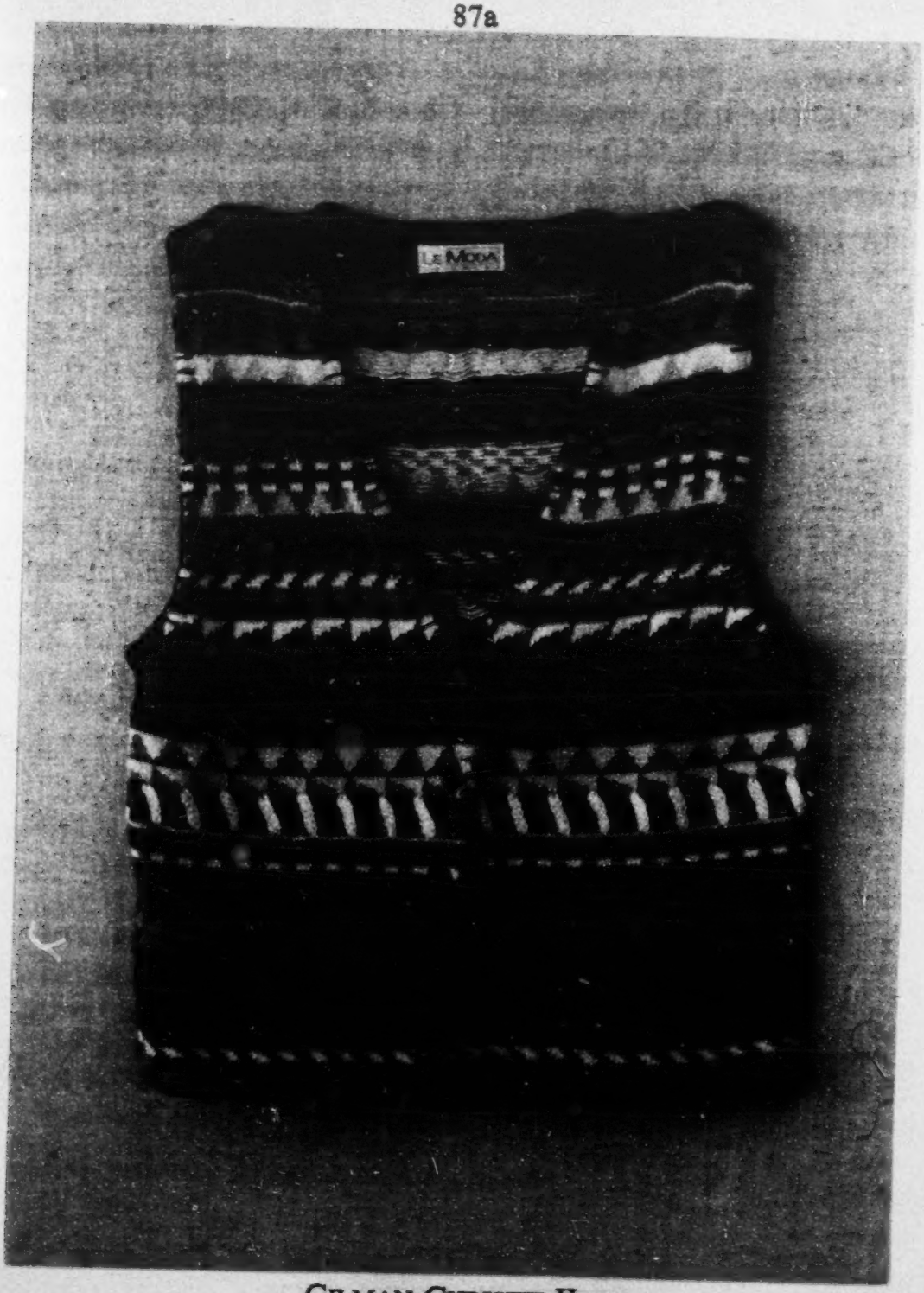

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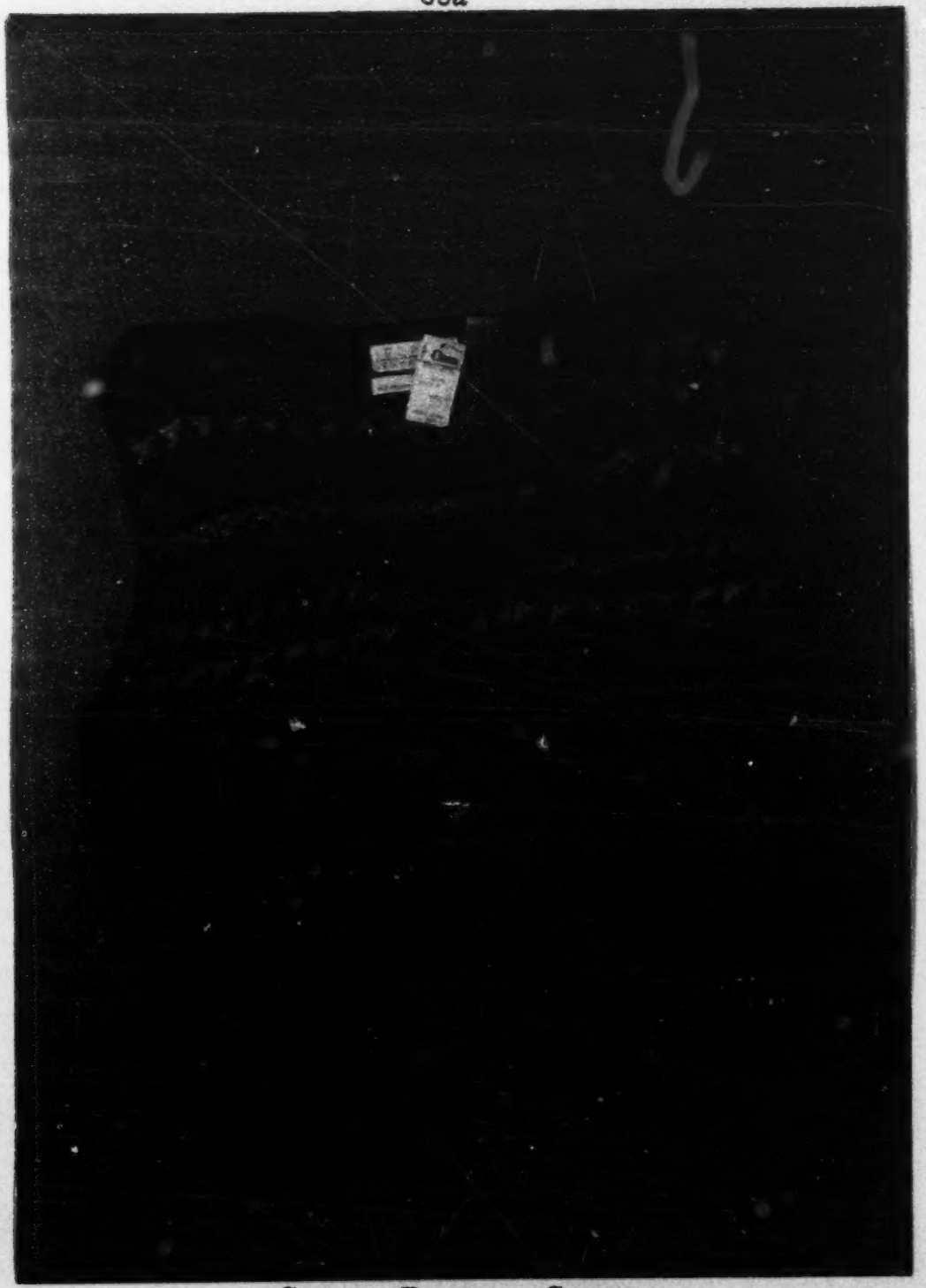

SEGRET-BLANKET STITCH

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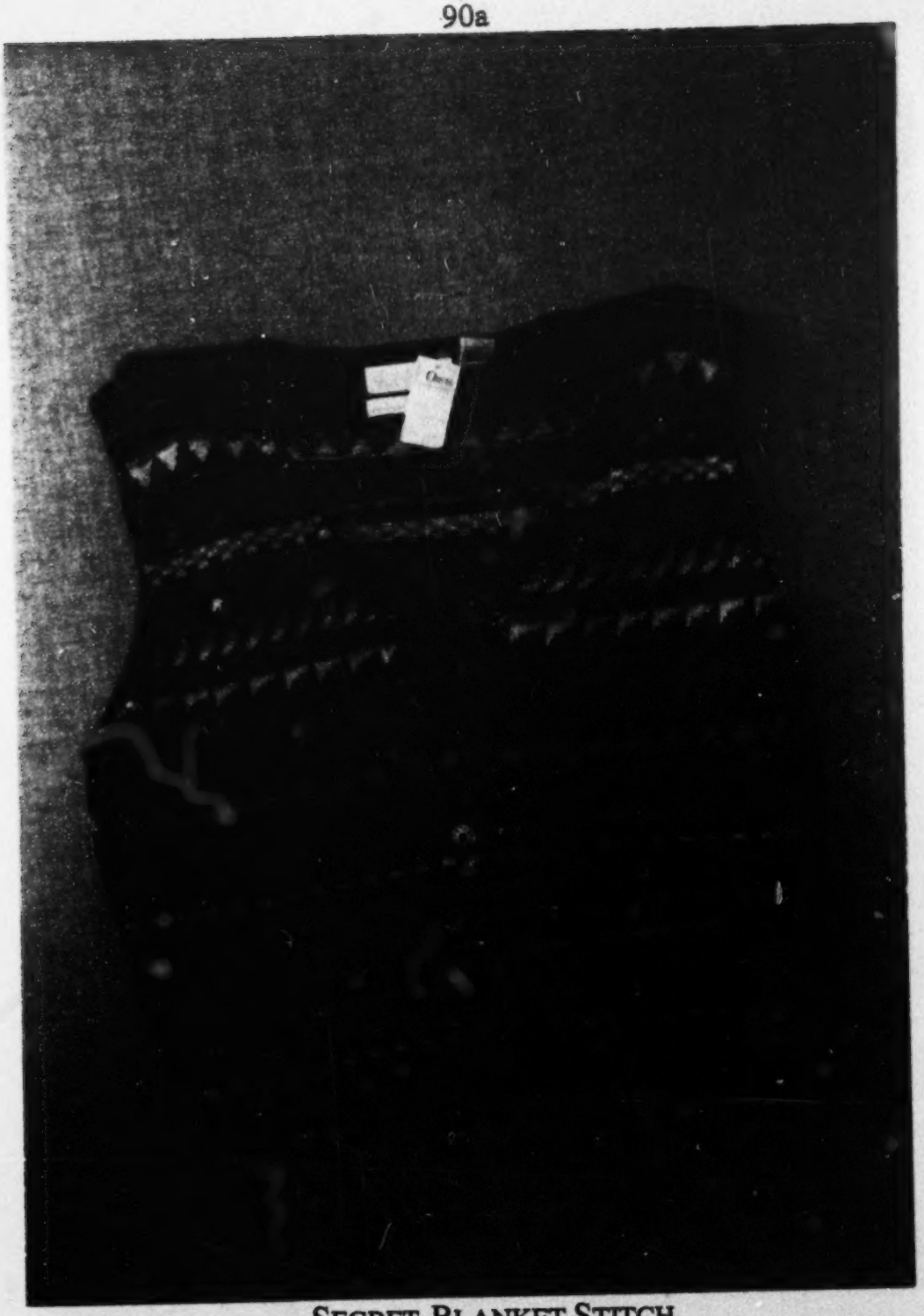

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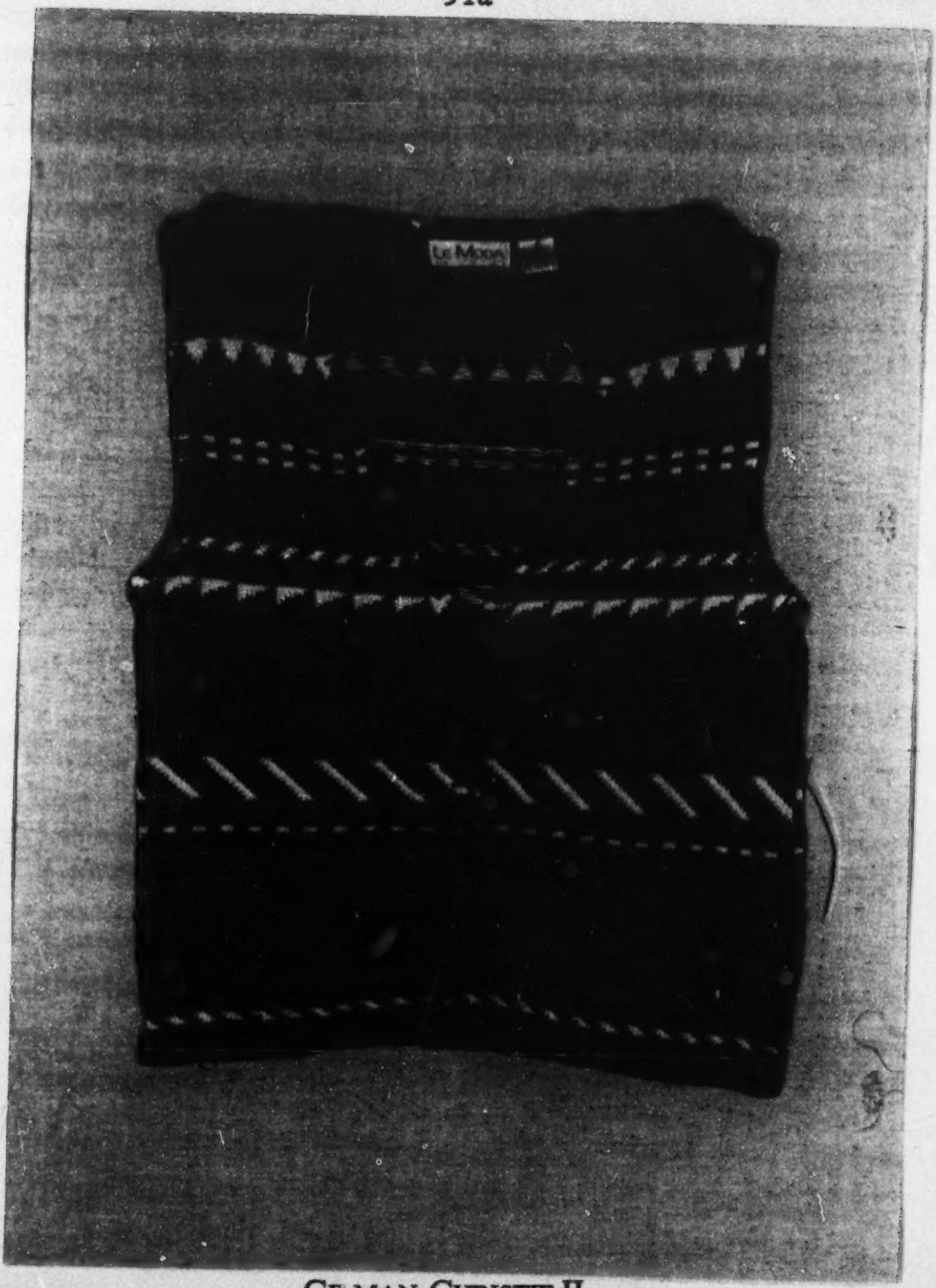

GILMAN-CHRISTIE II
TUSCAN